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The Case of Tanzania

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INTEGRATING LOCAL FOOD SUPPLIERS IN MODERN FOOD RETAIL IN AFRICA

THE CASE OF TANZANIA

**BY
FELIX ADAMU NANDONDE**

DISSERTATION SUBMITTED 2016



AALBORG UNIVERSITY
DENMARK



Aalborg University

Integrating of Local Food Suppliers in Modern Food Retail in Africa: The Case of Tanzania

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Integrating Local Food Suppliers in Modern Food Retail in Africa: The Case of Tanzania

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BBA (T), MSc (UK)

Dissertation Submitted 2016

**A Dissertation Submitted in Partial Fullfilment of the Requirement for the Degree of Doctor
of Philosophy in Business Administration of Aalborg University**

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Abstract

This study addresses three distinct but interrelated issues in the integration of local food suppliers in modern food distribution in Tanzania. These issues are: What are key factors driving the development of modern food retailing in Tanzania? What factors influence the participation of local modern food suppliers in the industry? And, finally: What policies and strategies can be adopted to increase local suppliers' participation in the industry? The study used a critical realism case study approach, in which nine local food suppliers and seven modern food retailers participated.

Participants from two food regulators and two private sector support organisations were also interviewed. Data were collected in four regions of Tanzania: Dar es Salaam, Arusha, Kilimanjaro and Morogoro. Interviews were conducted in English and Swahili, and voice recorder and field notebooks were used in data collection. Secondary data were also used for the study and were collected from government reports, newspapers and magazines. Data were stored in Nvivo but were primarily analysed manually. A thematic analytical technique was used for qualitative data analysis. Furthermore, both within-case and cross-case study data analyses were employed for data analysis in the study.

This study produced three findings: First, the study shows that the evolution of modern food retail distribution in Tanzania was accelerated by both internal and external factors. External factors are the availability of suppliers, the acceptance of trade credit and return policies by local food suppliers, administrative reason, change in lifestyle, the rise of the middle class, and institutional supports. Internal factors are innovation, quality, the availability of products, safety and return policies. Second, the study shows that the participation of local food suppliers is very low, but is increasing. Findings show that the selection of local food suppliers is influenced by satisfying government requirements, food quality, consumer feedback, packaging, reliability, acceptance of return policies and trade credit, price and adherence to Islamic practices. The study shows that a number of factors influence the establishment of the supplier-retailer relationship. These are: the acceptance of trade credit, return policies and premises visitations. Furthermore, the study shows that territory relationship and social embeddedness influence the formation of relationships between retailers and suppliers. In spite of this, the supplier-retailer relationship study shows that there is a lack of trust and commitment among actors. The study shows that payment delays limit supplier-retailer relationships. Finally, the study shows that, in order to increase the participation of local food suppliers in modern food distribution in Tanzania, local food suppliers use different strategies. These strategies are the formation of networks, innovation, outsourcing and the recruitment of

experienced staff. To increase their chances of participation, local food suppliers embarked on innovation, and the study shows that major sources of innovation are distributors, retailers and government agencies. However, the flow of information to stimulate innovation from downstream actors is limited by trade credit, consumer preferences and government requirements.

The study contributes to theoretical and empirical knowledge. The study presents a new look at the formation of the supplier-retailer relationship from the perspective of developing economies in four stages. These stages include: (1) retailer evaluation of suppliers' reputation, (2) supplying of samples (3) supply commencing after terms are negotiated and agree upon, (4) consumer/institution recommendation and finally (5) a sustained relationship. The study also proposes a framework for understanding the evolution of modern food distribution in developing economies, with a focus on internal and external factors. In general, previous proposed theories marginalised the influence of external factors on the evolution of retail formats, which seem to be very important in Tanzania. One policy implication study suggested the formation of special financial supports for local food suppliers to help them meet their working capital when engaged in trade credit with retailers by commercial banks in Tanzania. These loan could be granted against invoice based on supply to the retailers who buying on credit.

In spite of these contributions, the study has some limitations. For example, it does not employ distributors/wholesalers that are main actors in food distribution in developing economies like Tanzania. Furthermore, distributors of imported food were not included in the study, although they play a major role in the development of modern food retail in Tanzania. I would therefore like to suggest that future research include distributors/wholesalers of local and imported food products.

Resumé

Denne undersøgelse omhandler tre forskellige, men indbyrdes forbundne udgivelser i integrationen af lokale fødevarer leverandører i moderne mad distribution i Tanzania. Disse udgivelser er: Hvad er de vigtigste faktorer, der styrer udviklingen af moderne dagligvarehandel i Tanzania? Hvilke faktorer har indflydelse på deltagelse af lokale moderne fødevareleverandører i branchen? Og endelig: Hvilke politikker og strategi kan vedtages for at øge lokale leverandørers deltagelse i branchen? Undersøgelsen brugte en kritisk realistisk casestudie tilgang, hvor ni lokale fødevarer leverandører og syv moderne dagligvarebutikker deltog.

Deltagere fra to fødevarer regulatorer og to private sektor støtteorganisationer blev også interviewet. Data blev indsamlet i fire regioner i Tanzania: som er Dar es Salaam, Arusha, Kilimanjaro og Morogoro. Interviewene blev gennemført på engelsk og swahili, og voice recorder og felt notesbøger blev brugt i dataindsamlingen. Sekundære data blev også brugt til undersøgelsen og blev indsamlet fra statslige rapporter, aviser og blade. Data blev lagret i Nvivo men primært analyseret manuelt. En tematisk analytisk teknik blev anvendt til kvalitativ dataanalyse. Desuden blev både inden-sag og cross-case studie data analyser ansat til dataanalyse i undersøgelsen.

Denne undersøgelse produceret tre resultater: For det første viser undersøgelsen, at udviklingen af moderne mad detailhandel i Tanzania blev fremskyndet af både interne og eksterne faktorer. Eksterne faktorer er tilgængeligheden af leverandører, accept af handel kredit og retur politik ved lokale fødevarer leverandører, administrativ grund, ændring i livsstil, stigningen i middelklassen, og institutionelle støtter. Interne faktorer er innovation, kvalitet, tilgængeligheden af produkter, sikkerhed og returnere politikker. For det andet viser undersøgelsen, at deltagelse af lokale fødevarer leverandører er meget lav, men er stigende. Resultaterne viser, at udvælgelsen af lokale fødevarer leverandører påvirkes ved at opfylde regeringens krav, fødevarekvalitet, forbruger feedback, emballage, pålidelighed, accept af tilbagevenden politikker og handel kredit, pris og overholdelse islamisk praksis.

Undersøgelsen viser, at en række faktorer har indflydelse på etableringen af leverandør-forhandler forhold.

Disse er: accept af handel kredit, tilbagevenden politikker og visitations lokaler. Desuden viser undersøgelsen, at territorium forhold og social forankring påvirke dannelsen af relationer mellem forhandlere og leverandører. På trods af dette, at leverandøren-forhandler forholdet undersøgelse viser, at der er en mangel på tillid og engagement blandt aktører. Undersøgelsen viser, at

betalingsfrister begrænser leverandør-forhandlerrelationer. Endelig viser undersøgelsen, at der for at øge deltagelsen af lokale fødevarer leverandører i moderne mad distribution i Tanzania, lokale fødevarer leverandører anvender forskellige strategier. Disse strategier er dannelsen af netværk, innovation, outsourcing og rekruttering af erfarne medarbejdere. For at øge deres chancer for deltagelse, lokale fødevareleverandører indledt innovation, og undersøgelsen viser, at de store kilder til innovation er forhandlere, detailhandlere og offentlige institutioner. Imidlertid er informationsstrømmen til at stimulere innovation fra downstream aktører begrænset af handel kredit, forbrugernes præferencer og myndighedskrav.

Undersøgelsen bidrager til teoretisk og empirisk viden. Undersøgelsen præsenterer et nyt kig på dannelsen af leverandør-forhandler forholdet fra perspektivet af udviklingsøkonomier i fire etaper. Disse stadier omfatter: (1) forhandler evaluering af leverandørernes omdømme (2) levering af prøver (3) levering begynder efter vilkår forhandles og blive enige om (4) forbruger / institution anbefaling og endelig (5) en vedvarende forhold. Undersøgelsen foreslog også en ramme for at forstå udviklingen af moderne mad distribution i udviklingsøkonomier, med fokus på interne og eksterne faktorer. Generelt tidligere foreslåede teorier marginaliserede indflydelse af eksterne faktorer for udviklingen i detail formater, som synes at være meget vigtigt i Tanzania. På politisk implikation undersøgelse foreslog dannelsen af særlige finansielle understøtninger for lokale fødevareleverandører til at hjælpe dem med at opfylde deres driftskapital, når beskæftiger sig med handel kredit med forhandlere af forretningsbanker i Tanzania. Disse lån kunne ydes mod faktura baseret på levering til de detailhandlere, der køber på kredit.

På trods af disse bidrag, undersøgelsen har nogle begrænsninger. For eksempel er det ikke ansatte distributører / grossister, der er hovedaktører i fødevarer distributionen i udviklingsøkonomier som Tanzania. Desuden blev distributører af importerede fødevarer ikke inkluderet i undersøgelsen, selv om de spiller en vigtig rolle i udviklingen af moderne mad detailhandel i Tanzania. Jeg vil derfor gerne foreslå, at fremtidig forskning omfatter distributører / grossister af lokale og importerede fødevarer.

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Dedication

To my wife Pamela John Liana

To my daughter Exodus and my son Daniel

As a family we do know the pains and happinesses we used to share

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List of Acronyms

DOI- Diffusion of Innovation Theory

EAC- East African Community

EU – European Union

GNP- Global Production Network

Nakumatt – Nakuru Mattresses

RBV – Resource Based View

RTCs – Regional Trading Companies

SADC – Southern Africa Development Cooperation

SIDO – Small Industries Development Organisation

TBS –Tanzania Bureau of Standards

TFDA – Tanzania Food and Drugs Authority

TCCIA – Tanzania Chambers of Commerce, Industry and Agriculture

TSN – Tanzania Supermarket Standards

BAKWATA – Baraza Kuu la Waislamu Tanzania (The National Muslim Council of Tanzania)

Kg – Kilogram

GDP – Gross Domestic Product

NMC – National Milling Corporations

NBC – National Bank of Commerce

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Chapter 1: Introduction and Research Problem Justification

1.0: Introduction

Recent studies have shown the increased modernisation of African food distribution systems with the entry of foreign supermarkets and other distributors in the sector. There is consequently a rising interest among politicians, activists and development analysts in encouraging and increasing participation among local food producers in the Tanzanian food distribution system as a means of improving the lives of farmers and members of the local community at large. While there is a general understanding of the importance of modern food retail in transforming the African agri-food business, the participation of local food suppliers in this rapid rise in the changing food value chain is least understood (Weatherspoon and Reardon, 2003). For example, little is known about the extent and manner of the integration of the local food suppliers within the sector. Some studies have drawn attention to the difficulties local food suppliers in developing countries face in seeking inclusion in modern food retail chains. These studies include Blandon *et al.*, (2009) in Honduras, Berdegue *et al.*, (2007) in Guatemala, Farina *et al.*, (2005) in Brazil, Neven and Reardon (2004) in Kenya and Louw *et al.*, (2008) as well as Bienabe *et al.*, (2011) in South Africa.

Previous studies have listed a variety of factors that influence retailers' choice of food suppliers. Cheraghi *et al.*, (2004) argue that criteria for selection of suppliers have become more dynamic over time. Sternquist *et al.*, (2008) find that retailers base their decisions on two main considerations: the quality of suppliers and the quality of the products they supply. It has also been argued that the strategy of modern retailers is to outwit their competitors on costs basis. As a result, the focus is on reduction of transaction costs; supermarket may therefore integrate their supply chain and centrally procure products (Blandon *et al.*, 2009; Weatherspoon and Reardon, 2003, Ruben *et al.*, 2007). According to Duffy and Fearn (2009), these set standards implemented by retailers in some situations limit the participation of domestic food suppliers in the host country, because some are not mandatory for imported food, thereby increasing costs for host agri-food suppliers that do not apply to imported agri-food products. These considerations have, however, been subjected to limited empirical investigation in Africa.

Many of the previous studies conducted on Africa's food business focussed on connecting African producers with markets within the European Union (EU). These studies have concentrated on the

procurement of fish and horticultural produces from Kenya, Uganda, Tanzania, Ghana and South Africa (see Dolan and Humphrey 2000; Kadigi *et al.*, 2007; Fold and Gough 2008; Asfaw *et al.*, 2010; Bukenya *et al.*, 2012). Although the relationship between the African growers and the EU retailers is very important for the economy of the continent, I submit that the changes in agri-food distribution currently taking place on the continent open up additional opportunities for economic growth and poverty alleviation and therefore require academic and policy attention. Atasoy (2013) argues that in absence of such research, it is difficult to assess the impact of these changes on production and consumption. It is therefore gratifying to note that the field is now receiving some academic attention. This includes Neven *et al.*, (2006), who have studied food retailing in Kenya; Abebe *et al.*, (2013), who authored an International Food Policy Research Institute (IFPRI) report on Ethiopia; Emongor (2008), who studied retailing in the Southern Africa Development Community (SADC) region; Onzere (2012), who studied the impact of the emergence of modern retailers on fruit and vegetable suppliers in Uganda; and Sindi (2013), who investigated the implication of rising of supermarkets for the agri-food system and the rural poor in Kenya. The present study is built on knowledge from these previous studies.

There is also some evidence suggesting that African retailers are expanding to other African countries and increasing their share of the food retail market in these countries (Weatherspoon and Reardon 2003; Neven *et al.*, 2006; Emongor, 2008; das Nair and Chisoro, 2015). In general, the development of modern food retail in Africa has been accelerated by the cross-border flow of FDIs from South Africa and Kenya. As a result, the modernisation of Africa's food retail has partly been spearheaded by African companies instead of depending on the large global retailers, as it has in regions such as Latin America (Weatherspoon and Reardon, 2003).

However, the available evidence shows that international food retailers generally prefer to procure from their home countries. For example, South African retailers tend to source about 80 per cent of their merchandise from South Africa (Ciuri, 2014; Bianabe *et al.*, 2011). Furthermore, a study conducted in Zambia by Muradzikwa (2002) estimated that 60 per cent of the food items sold by Shoprite, a South African retailer, in Zambia were imported from South Africa. This has raised the concerns about the future of the agri-food sector in the host country (Emongor, 2008; Emongor and Kirsten, 2009; Neven and Reardon, 2004). It has also been noted that consumers who shop in modern retailers demand high-quality food products. Thus, in order for modern food retailers to

remain competitive and survive in the marketplace, they need to set high quality standards (Bianabe *et al.*, 2011; Neven and Reardon, 2004). According to Duffy and Fearn (2009), these standards set and implemented by the retailers in some situations limit the participation of the domestic food suppliers in the host country.

1.2: The Tanzania Situation

The increase in the market share of modern food retail, especially in developing economies, is expected to have an impact on the local agri-food supply chain. For example, the market share of modern food retail increased from 15 to 55 per cent in Latin America from 1990 and 2002 (Reardon and Berdegue, 2002). In South Africa, market share increased from 55 per cent in 2003 (Weatherspoon and Reardon, 2003) to 70 per cent in 2010 (Bianabe *et al.*, 2011). Similarly, in Kenya, the market share of modern retail increased from 19 per cent in 2000 (Reardon *et al.*, 2003) to 30 per cent in 2012 (The EastAfrican, 2013). There are no clear statistics on the growth of modern food retail in Tanzania. However, there has been some evidence of the appearance of international retailers on the urban food marketing scene. The global management consulting firm A.T. Kearney's 2014 report suggests that supermarket penetration in Tanzania is growing rapidly, but 80% of the food items sold from these outlets are imported. There has also been some evidence suggesting that the operations of these outlets have resulted in some changes in consumer behaviour, as increasing numbers of middle class consumers are shifting from buying food in traditional markets and small shops to buying food in modern stores (Neven *et al.*, 2006). Table 1 shows some of the modern retailers operating in Tanzania in 2008.

While Tanzania witnesses the rapid rise of the modern urban food retailing spearheaded by South African and Kenyan retailers, participation among the local agri-food suppliers is very low. This means that most of the independent growers and food processors in agriculture will not benefit from this trend. The procurement of food from other sources using international retailers caused a lot of misunderstandings in many developing countries, including Tanzania.

To minimise the impact of food importation and enhance participation among local agri-food suppliers in the emerging food retail industry in Tanzania, the government introduced new policies and regulations. One of these regulations is that 40 per cent of all food sold in modern retail stores in Tanzania must be locally sourced (Weatherspoon and Reardon, 2003). This policy does not

appear to have changed the situation in any significant manner. Participation levels among local food suppliers in the new emerging food retailing business in Tanzania remain quite minimal compared to the country's potential food production. It is therefore important to understand the criteria are used by modern retailers when buying food from local suppliers.

Table 0.1: Some of the retailers operate in Tanzania

Retailers	Countries of Origin	Number of Stores
Uchumi Supermarket	Kenya	Exit in 2015
Nakumatt Supermarket	Kenya	4
Pick N Pay	South Africa	Quits in 2002
Shoprite	South Africa	Exits in 2014
Massmart/Wal-Mart	South Africa/USA	1
TSN	Tanzania	7
Imalaseko	Tanzania	4
Oil com	Tanzania	-
Woolworth	South Africa	4

1.3: Problem statement

The present study therefore seeks to contribute to the emerging body of knowledge about the inclusion of local food suppliers into the modern food retail sector in Africa by investigating the evolution of modern food retail in African countries with a specific focus on the participation of local food suppliers in the Tanzanian modern food distribution system. By examining the integration of local food suppliers in modern food retail in Tanzania, this study looks at issues related to determinant factors in the rise of modern food retail, criteria for selection of local food suppliers and factors that would improve participation of local food suppliers in the country.

A core element of this exploration involves the retailer-supplier relationship and the governance of the value chain activities in developing economies by actors found in their business context. The study finds its justification partly in the fact that (to the best of my knowledge) no study of this kind has hitherto been conducted in Tanzania, even though the country witnessed the emergence of modern retail in the 1990s and the arrival of international retailers from South Africa and Kenya in the early 2000s. On the other hand, the development of agriculture depends on the performance of

agro-processed food and how products gain access to the market. In general, the participation of local food suppliers in modern food retailers is claimed to be very low in Tanzania. Are modern food retailers' strategies aimed at increasing the integration of local food suppliers in Tanzania? What criteria are used by retailers to limit the participation of local food suppliers? What factors stimulate the evolution of modern food retail in Tanzania? The above discussions have led me to raise the following research question to guide the study.

How can we explain the limited participation of local food suppliers in the changing Tanzanian food retail sector, and what policies and strategies can increase their participation?

In order to address this overall question, I have deemed it useful to break the issue down into the following specific questions:

1. What are key factors driving development of modern food retail in Tanzania?
2. What factors influence the participation of local modern food suppliers in the industry?
3. What policies and strategies can be adopted to increase local suppliers' participation in the industry?

1.4: Approach to data collection

I have adopted a case method for the empirical investigations reported in the thesis. I have conducted interviews with eight retailing firms operating in Tanzania. Three of these firms are international retailing firms based in Kenya and South Africa; the other five are Tanzanian. These interviews seek to provide information about the following issues:

1. Determinants of the rise of modern food stores,
2. The extent to which the retailers do business with local food suppliers,
3. The criteria they use in selecting local suppliers,
4. The type of support they provide to local suppliers in order to improve their performance and
5. The mechanisms they adopt to govern these relationships.

I have also interviewed 14 local food suppliers about the following issues:

1. Determinant of the rise of modern retail stores,

2. The extent to which the retailers do business with local food suppliers and
3. Their views on the relationships they have with retailers.

I have also interviewed 6 institutions that support the agri-food sector in the country about the following issues:

1. The role of institutions in the rise of modern food retail,
2. The policy initiatives taken by the government to support local food suppliers and
3. The efforts made by the institutions to support local suppliers to improve the quality of their products.

1.5: Description of the research area

Data were collected in four regions of Tanzania: Dar es Salaam, Arusha, Kilimanjaro and Morogoro. There are three reasons for the selections of the study area. First, the regions of Kilimanjaro, Dar es Salaam and Arusha are home to the leading retail firms operating within the country. These retail companies which found in Dar es Salaam are Nakumatt Supermarket, Uchumi Supermarket, TSN and Shop-N-Save. Nakumatt Supermarket, a Kenyan retail firm that first opened its store in Moshi in 2012 and then expanded to Dar es Salaam after the acquisition of three stores of a Shoprite, a South African retail firm. One store was located in Arusha and the other two in Dar-Es-Salaam. Arusha was selected because it is the home of Panone Supermarket and Nakumatt Supermarket and due to the availability of processed food companies in the region.

The selection of food items included in the study was based on the major staple foods consumed by Tanzania, and is also, for the major part, domestically grown.

1.6: Selected Products

In order to determine the potential impact of emerging urban modern food retail distribution on Tanzania's agri-food sector, the study focuses on a limited number of fresh and processed food products. Changes in consumption behavior have also been considered. For instance, there has been a change in African consumers' consumption of staple foods: while rice and wheat consumption has increased, maize flour still dominates among urban consumers (Jayne *et al.*, 2006). Therefore, this study uses cooking oil, milk and its products and horticultural produce. Based on this, the producers

of the following food products were selected for the study: maize flour, rice and sunflower cooking oil. Fresh product suppliers chosen were beef, chicken meat and fruits and vegetables.

1.7: Definitions of Key Terms

In this study, the term ‘modern food retail’ has been used to represent supermarkets. However, the definition is not based on floor space. For the purpose of this study, *modern food retailers* are stores that provide self-service on packaged and fresh food items with one exit point where the consumers make payments. For *food suppliers*, this study considers those adding value through either packing or distribution activities. That means that the term food suppliers and food processors are used synonymously. This study has no focus on upstream actors such as farmers and other intermediary actors such as wholesalers or distributors.

1.8: Structure of the Thesis

The dissertation is divided into two main parts. **Part I** consists of four chapters that discuss the research problem, methodological research, research context, the theoretical foundation of the research and the conceptual framework. These chapters were arranged to present the flow of the main ideas in the logical flow of the dissertation. **Part II** is divided into five chapters, including the main empirical and discussion and conclusion chapters.

Chapter 1 introduces the main issues of the study. It also highlights the problem statement and research questions, as well as the background of the study in relation to Tanzania. The chapter presents a justification of the study and the contribution of the PhD project to the body of knowledge. The theories underpinning the study were also briefly presented to give the reader the highlights of the dissertation. The chapter ends with a model of the disposition of the dissertation.

Chapter 2 starts with an introduction of the chapter, followed by a discussion on the methodological issues that govern the dissertation. It introduces research paradigms and the reason for the selection of the paradigm that governs the current study. This chapter also discusses the choice of data collection techniques and the techniques used for data analysis in the context of Tanzania’s research.

Chapter 3 presents the empirical settings and context of Tanzania. The chapter also briefly discusses the situation of modern food distribution and the growth of the food processing sector in the country.

Chapter 4 assumes that innovation and effective use of resources are important factors in order for local food suppliers in Tanzania to be integrated in modern food retail. The chapter posits that in order to understand integration of local food suppliers in modern food distribution, it is important to understand the influence of external actors. The importance of network theory and global production networks is presented in this context. The chapter discusses the benefits of using four theories to govern the study, but the network approach leads to the understanding of the phenomenon.

The chapter concludes with discussions from the four theories used in the dissertation and integrating key dimensions from the theories presented with the goal of proposing a conceptual framework to be used in the empirical evidence. The model has been developed with a focus on a triadic approach in food value chains in Tanzania. The model presents the following issues with the focus on the actors' role: local food suppliers: quality, regularity of supplies, trust, commitment and innovation; retailers: information, financial support, innovation, governance, trust and commitment; institutions: training, control and advice.

Chapter 5 presents detailed findings from within-case studies of nine cases on five issues as described in Chapter 1. Each case begins with background information of the case, and within-case analysis was conducted. The goal is to present themes emerging from each retail company separately. Furthermore, a summary was provided for each case based on the five issues with perspectives from retailers.

Chapter 6 is a continuation of **Chapter 5**, but this chapter presents a cross-case analysis of nine cases of retailing firms. This cross-case analysis presents findings based on commonalities and differences across cases. Tables were used to present themes that emerged from a cross-case analysis of nine cases. The chapter ends with a reflection of the empirical results from a theoretical perspective, and a summary.

Chapter 7 presents a cross-case analysis of nine local food processors. It begins with descriptions of the companies' backgrounds, which are followed by cross-case analyses of cases on five issues as shown at Chapter 1. Tables are used to show commonalities and differences across nine cases,

and different themes emerged. Summaries are provided on the five issues discussed with perceptions from suppliers.

Chapter 8 presents an analysis of four interviews from four institutions, of which two are food regulators and two promote private sector growth in the country. The chapter begins with descriptions of these institutions, followed by findings on three issues. The chapter ends with a summary of the findings.

Chapter 9 is the last chapter. It attempts to provide a discussion of and reflection on the study. The chapter begins by revisiting the research questions and main findings. The chapter presents contributions of the study to the theories and empirical knowledges. The chapter reflects on the policies and strategies that can be implemented in Tanzania to increase participation of local food suppliers in modern food distribution. The chapter ends with limitations and proposed areas for further research.

Chapter 2 : **Research Methodology**

2.0: Introduction

The purpose of any research is to generate knowledge, either from theory testing or from formulation. To achieve this, the methodological choices that the researcher makes must be transparent, so that the reader can clearly see the position of the researcher during the development of a piece of knowledge. In this chapter I have explained various techniques I have used in answering a question related to linkages between local food suppliers and modern food retailers in modern food distribution in Tanzania. More specifically, I explained why I have taken certain decisions in regards to the business context that governs food business in Tanzania.

2.1: The Research Paradigm

The concept of ‘paradigm’ was introduced by Kuhn (1962) to describe the root assumptions that researchers adopt to guide their research strategies. Since then, the term has generated both debate and misunderstandings in social science research. According to Bergman (2010), one of the weaker understandings of ‘paradigm’ is defining the term synonymously with a ‘worldview’. Some scholars use the term synonymously with ‘approach’ or ‘framework’ as synonymously with the term. To Bergman ‘A paradigm is an organizing framework that contains the concepts, theories, assumption, beliefs, values, and principles that inform a discipline how to interpret the subject matter of concerns’(2010, p. 172). In the present study, I use the term paradigm to describe the assumptions that underlie my choice of research method – i.e., my choice between quantitative and qualitative methods. In order to provide a good understanding of these assumptions, however, I will briefly describe some of the major paradigms used in social science research.

In practice, ‘paradigm’ must be reflected during first stage of answering research questions. This means that the researcher must answer questions like, ‘Do I have knowledge that may influence the result?’ and ‘should the study be guided by previous literature/theory or not?’ Bergman (2010) argues that the terms ‘quantitative’ and ‘qualitative’ denote kinds of data, not the epistemologies, methodologies, designs and ontologies that are associated with different research frameworks. In this sense, this study considers the term ‘paradigm’ associated overall concept of organising a study

in systematic way, but not associating it with ‘qualitative’ or ‘quantitative’. Table 2.1 summarises philosophical assumptions that support the four different paradigms of social science relating to ontology, epistemology and methodology. In context of Table 2.1, I present the following discussion.

Table 2.1: Basic Paradigms Govern Enquiry in Social Science

Paradigms				
Element	Positivism	Critical theory	Constructivism	Critical realism
Ontology	Reality is real and apprehensible	Virtual reality shaped by social, economic, ethnic, political, cultural and gender values, crystallised over time	Multiple local and specific 'constructed' realities	Reality is 'real' but only imperfectly and probabilistically apprehensible, and so triangulation from many sources is required to try to experience it
Epistemology	Objectivist: findings true	Subjectivist: findings	Subjectivist: created findings	Modified objectivist: findings probably true
Common methodologies	Experiment/Survey: verification of hypotheses, chiefly quantitative methods	Dialogic/Dialectical: researcher is a 'transformative intellectual' who changes the social world within which participants live	Hermeneutical/Dialectical: researcher is a 'passionate participant' within the world being investigated	Case studies/convergent interviewing: triangulation, interpretation of research issues by both qualitative and some quantitative methods such as structural modeling

Source: Adapted from Healy and Perry (2000), and Perry et al., (1999), and based on Lincoln and Guba (1994)

2.1.1: Positivist Paradigm

The positivist paradigm strictly limits itself to measuring tangible or observable reality (Hunt, 1991; Guba and Lincoln, 1994; Tsoukas, 1989). The idea is that the researcher does not interfere with data collection and analysis. Scholars adopting positivist paradigm usually use survey methods, and numerical analytical tools in analysing data. Healy and Perry (2000) argue that those who employ the positivist paradigm separate themselves from the world they study. In that sense, it is the researcher that dictates what to present to respondents with no interest in any knowledge from the practices that exist in a particular context.

But ignoring researchers' external reality means that generated knowledge would provide no ground that a community can trust (Hunt, 1990). This understanding has led some scholars to argue that positivism is not appropriate when approaching social science study, including for example, marketing networks (Healy and Perry, 2000), consumer attitudes (Hunt, 1991) and new marketing phenomena (Desphande, 1983). The current study intends to investigate linkages of local food suppliers in modern food distribution in Tanzania. Different focuses can influence discussion about supplier-retailer relationships, such as consumer preference, trust among value chain actors and government policies and regulations. In my theoretical chapter, I will argue that some variables are not tangible and therefore cannot be measured in quantitative terms. I have therefore found positivist paradigms inappropriate for my PhD project.

I admit that there could be some tangible factors in the selection of local suppliers, such as the presentation of legal documents. However, in many cases, the supplier-retailer relationship seems to be influenced with by intangible factors, such as trust and commitment.

2.1.2: Constructivism Paradigm

Social constructionism is one of the latest paradigms to have been developed by a number of scholars (Berger and Luckman, 1966; Watzlawick, 1984; Shotter, 1993). This paradigm holds that social knowledge is mainly generated by human experience over time and not through external stimuli. A social scientist should therefore try to understand and appreciate different experiences that people have had, rather than search for external causes and fundamental laws to explain behavior (Easterby-Smith *et al.*, 2011).

It is also argued that a single phenomenon can contain multiple realities (Peter, 1992; Guba and Lincoln, 1994). This paradigm is therefore designed to understand different meanings people

assign to particular situations. This means that the researcher's objective is to learn from the experience of a certain community and not to compare information with another community because even information from the same group or community would be perceived to have different meaning by the people from the similar community (Peter, 1992).

The social constructivist paradigm can be appropriate to understanding individual perceptions of different issues in marketing, like behaviour and beauty, but not how suppliers and retailers establish relationships (Healy and Perry, 2000) or how business-business networks (Jarvensivu and Tonroos, 2010) are established and managed. Furthermore, the proponents of constructivism paradigms consider them good for a single case study rather than for multiple case studies (Jarvensivu and Tonroos, 2010). However, that case should be connected with other sources of data and in particular documents from a similar case to support findings (Eisenhardt, 1989). These secondary documents can be reports, minutes, yearly operation plans, annual reports, board meetings and experts' reports to the organisation in question.

I can appreciate the importance of employing constructivism to study the experiences of marginalised local food suppliers in Tanzania and how they are linked to modern food distribution. However, since the focus of my study is not on the experiences that individual value chain actors but rather on the overall linkages of the participants as groups, I consider constructivism to be inappropriate for my study.

2.1.3: Critical Theory

This paradigm assumes that knowledge is subjectively grounded in historical routines, values and non-value issues (Guba and Lincoln, 1994). Additionally, the desire of the researcher is to understand the influence of history and social, political, economic, and ethnic and gender issues on the creation of knowledge (Healy and Perry, 2000).

Furthermore, the critical theory paradigm is more interested in the processes that govern actors. However, actors learn through experiences and their technical rules to make decisions on various issues related to their daily routines (Mezirow, 1981). For example, most of the business networks' research aims to understand the actions of the decision-makers rather than change them on their approaches to strategy formulation (Perry *et al.*, 1999, pp.18). Actors want to see if theory can manipulate observable events to guide their future. Based on critical theory paradigms, these situations need to be rectified for the benefit of all actors, and in particular host country suppliers

(Alvesson, 1994). Alvesson (1994) also argues that the paradigm has evolved during the time of ‘post-scarcity’ in Europe.

In light of the fact that in Tanzania, consumers face the problem of a shortage of supply, I consider critical theory inappropriate to guide this research, since Tanzanian suppliers and retailers face challenges that are very different from those faced by developed countries.

2.1.4: Critical Realism Paradigm

In truth, ‘realism’ believes that there is a truth for everything, even for the kind of issues that are unobservable things (Tsoukas, 1989; Guba and Lincoln, 1994; Godfrey and Hill, 1995). This means that, in some cases, people believe in certain forces exist not because they have seen them but due to their effects. In general, realists see that while there could be many forces influencing certain events to occur, there can only be single causative events.

To understand changes you need see the world as an open or a closed system (Tsoukas, 1989; Riege, 2003; Perry *et al.*, 1999). In general, realism aims to understand reality outside the firm, and how it influences the firm’s decisions. This shows that critical realism is the best paradigm to be used to understand dynamic forces that influence marketing decision made by firms (Healy and Perry, 2000). I found critical realism appropriate for my study and will justify my choice in subsection 2.3.1.

2.2: Basic Assumptions of Critical Realism

A key feature of critical realism is ‘structure ontology’, which is categorised into three levels: empirical, actual and real (Bhaskar, 1978, p.13). The empirical level is the level at which actors share their impressions, sensations and perceptions of an event that occurred in the society (Leca and Naccache, 2006). The actual level explains some of the events that have or have not been observed by the actors. Easton, (2010), Bhaskar, (1978) and Leca and Neccache, (2006) argue that in some cases, events occur but cannot be experienced by actors until a trained researcher manages to identify them correctly and transform them into experiences. In general, critical realists argue that if something is not observable, that does not mean it does not exist. At the level of the actual is the realm of theory-building by scholars (Leca and Neccache, 2006). The real level comprises causal powers and mechanisms that cannot be detected directly, but which have real consequences for

people and for society (Baskahar, 1978, p.13). Sayer (1992) and Leca and Neccache (2006) argue that one of the features of critical realism is to penetrate the surface of reality to access the level of the real in order to identify those structures and causal powers and the way that they act.

Realists assume that actors are not passive, and they shape social structures through their action (Ekstrom, 1992; Leca and Neccache, 2006). Furthermore, critical realism acknowledges the influence of context on shaping the how actors interact. Previous studies have suggested that food businesses in developing economies are characterised by opportunistic behaviour among actors (Kurwijila et al., 2005; Kabisa 2014). To understand how local food suppliers and retailers establish their relationships in this kind of business environment, critical realism is more appropriate. Easton (2010) argues that critical realism is good for the study of the retailer-supplier relationship.

Critical realism sees the actors' actions and structure as separate yet related entities, which means they neither collapse nor are combined into each other (Sayer, 2000). By separating the structure and actors' actions, realists desire to see the causality of the events not ending at relationships. The most fundamental aim of critical realism is explanation - answers to the question, 'What caused those events to happen?' (Easton, 2010, p. 121). However, in identifying causality, realists have been criticised for focusing on relationships and not causal factors (Roberts, 2014). Causal relationships are established by examining the social world through real, open contexts in which they interact with one another in frequently contingent and unpredictable way (Roberts, 2014).

2.2.1: Using the Critical Realism Paradigm in the Present Study

The critical realism paradigm guides the process of data collection, data analysis and interpretations of findings. I found these steps very important in explaining what I have done in a nutshell:

Framework establishment: Critical realism recommends that a researcher have a prior knowledge of the topic based on theory or literature (Easton, 2010; Leca and Naccache, 2006; Roberts, 2010). Given that this framework can be developed, this would guide data collection and data analysis. In this study, I developed a framework that reflected network theory, relationship theory, innovation theory and a resource-based view.

Data collection stage: Critical realism is guided by research protocols which are flexible in order to accommodate a research context and new things that emerge during fieldwork. Roberts (2010)

argues that a degree of flexibility in the design of questions elicits information about the unique interaction of causal mechanisms in a particular context (p. 6). However, to overcome the impact of bias that research protocol can contain, a question that may ask: ‘Is there anything that you think have not been discussed?’ (Sobh and Perry, 2006). In my research protocol, I have included this question related to criteria that are used by modern food retailers in the selection of local food suppliers in Tanzania.

Data analysis: At this stage, critical realism allows the use of framework, which is based on prior knowledge of the study. The process of moving backward (retroduction) is similar to deduction, with the desire to present a conception of some phenomenon of interest to a conception of something developed from prior knowledge (Easton, 2010). However, that does not mean that the paradigm limits the emergence of themes from the data (Sobh and Perry, 2006). Critical realism allows for the use of both inductive and deductive processes during the data analysis stage but the coding process starts with axial coding with a focus on the influence the external environment. Therefore, an open coding process is followed by a desire to identify ‘external influence’ on the coding process in order to let data speak for themselves.

I found it is appropriate to use a qualitative thematic data analysis because the techniques allow the use of a framework with a focus on the influence of environmental factors on the data as suggested by the critical realism paradigm (see details in the analysis technique section).

The critical realism paradigm is appropriate for a within-method triangulation with the desire to form a construct from different cases at the cross-case analysis stage (Sobh and Perry, 2006; Easton, 2010). Strategically, triangulation is applied with the desire to have single realism from multiple cases. This allows the integration of themes from other indirect actors and sources related to the phenomenon. I have therefore used multiple groups of respondents for this study, including government officials and officials from business associations in order to gain their insight into the challenges that local food retailers and suppliers face in Tanzania. Furthermore, I have used documents related to modern food distribution in Tanzania and Africa in general.

Finding interpretation: Critical realism also allows for the interpretation of themes with the focus on the external environment (Easton, 2010). I found this to be a very important advantage for my study because my desire was to understand the influence of external actors in the emergence of modern food retail and the increase in the participation of local food suppliers. In that regard

realism as a paradigm seems to be very important, because it has led me to reflect on the context of the food retail system in Tanzania during the interpretation of the findings.

2.3: Case Study Approach

The case study research strategy attempts to examine a contemporary phenomenon in its real life context when the boundaries between phenomenon and context are not clear (Yin, 1981). Yin (1981) argues that there are two factors that may underscore the importance of a case study approach in a particular piece of research: The first is the situation in which you study a new phenomenon; the second is an investigation in which you cannot separate the process and the actors. Since the emergence of modern food retail is a new phenomenon in Africa and the manner in which retailers make decisions about what to purchase from local suppliers is not well understood in developing economies (Chen and Sternquist, 2006). I consider the case method appropriate for this research.

I share this perspective with Peterson *et al.*, (1998), who argue that the case study is good for investigating agribusiness issues in emerging and dynamic economic environments with high degrees of uncertainty, and where questions like whom, why and what are not easy to answer.

My choice of case method comes with some challenges. One of the major challenges to case studies is a lack of rigour (Weick, 2007). Different scholars have presented different techniques or measures that can achieve rigour in a case study. In general, a lack of rigour in case studies is due to the problem of transparency regarding how one has come to a conclusion. It has therefore been argued that researchers must pay particular attention to constructs, validity, internal validity, external validity and reliability when doing case study research (Gibbert and Rugriock, 2010). To achieve this, several scholars have emphasised the importance of triangulation in case research (Yin, 1994; Stake, 1995; Jick, 1979).

2.3.1: Construct Validity

Construct validity is only important during the data collection phase (Gibbert and Ruigrok, 2010). The focus is on how researchers collected data and whether those means correlate with what they claimed to achieve. Guba and Lincoln (1994) define it as a procedure that leads to the accurate

observation of reality, as by the study claimed it intended to achieve. There are two main strategies suggested for researchers to achieve construct validity: first triangulation and chain of evidence.

2.3.2: Triangulation of Primary Data with Secondary

Triangulation is gaining data from different sources that can be used to untangle a common problem. In the social sciences, the word has been associated with the use of multiple methods to improve validation so that the variation reflected the trait rather than the method (Campbell and Fiske, 1959). In practice this involves the collection of data through the use of other methods, such as interviews, observations, newspapers and previous reports. If this is so, then triangulation involves a means of data collection and types of data. By types of data, I mean primary and secondary data.

The motive behind triangulation is to increase ability when interpreting findings based on different references to various sources of data. Triangulation has two different types, namely (1) between methods and (2) within-method. According to Denzin (1978), between methods triangulation involves the use of different and distinct research methods. The focus is on the use of different data collection techniques within a method of data collection to understand a single phenomenon. That means that between (or across) methods triangulation means that the researcher can use survey and observation to study the same phenomenon (Jick, 1979).

Within-method uses different techniques within the same method to collect and interpret data (Denzin, 1978). For example, a study can use focus group and interviews to investigate one phenomenon.

One of the advantages of triangulation is that it enables the researcher to show external validity (Jick, 1979; Rutherford *et al.*, 2010). Although triangulation is used for primary data, I argue that it may also be used to integrate secondary data into primary data. Interest in improving corroboration findings leads to external sources such as secondary data, and experience from others reveals the importance of using that secondary data.

Furthermore, Rutherford *et al.*, (2010) argue that triangulation is not the means of showing causality but a method of showing interpretation of the data at hand. Secondary data are a good source of information for data triangulation to achieve generalisability and external validity (Decrop, 1999). Creswell (2013) argues that interpretation must reflect practitioners' viewpoints. I have therefore integrated secondary data from newspapers, magazines and reports into findings from

primary data collected in connection with this study. Furthermore, some of the private organisations interviewed by researchers refused my request to use internal reports produced with the support of international organisations on their market performances and business developments. I therefore relied on reports produced by government institutions and newspapers written in both English and Swahili. I also used information produced by international media such as Reuters on Africa to track the emergence of modern food retail.

2.5.3: Reliability in Case Study

A case study approach entails searching for the truth from an individual or a group with different backgrounds, experiences and knowledge about a certain phenomenon. The literature shows that a collection of qualitative data gathered using this method is more flexible than the alternatives, and in some cases, the researcher can influence the findings. This issue of flexibility implies that there is a high chance of bias in qualitative research method. Therefore, the case study approach has been criticised for its lack of reliability (Riege, 2003; Kirk and Miller, 1986; Long and Johnson, 2000). Riege (2003) argues that in a qualitative study, the goal is to minimise the amount of data one loses during the analysis stage. To achieve reliability in qualitative case studies it has been suggested that researchers ask all informants identical questions at different times (Long and Johnson, 2000), undertake cross-case analyses (Yin, 1981) and strive to ensure transparency in the data collection process (Riege, 2003). Kuada (2012) argues that reliability is not the only means of achieving trustworthiness in qualitative research. I have argued before that is very difficult to achieve this, but in this study I used different techniques to achieve reliability, such as validity, which will be discussed in the next section.

I admit that I have not been chiefly concerned with reliability in the sense of being able to replicate of the findings of this study. Factors such as context, timing and the experience of the participants normally limit replicating of findings from case studies (Riege, 2003). However, my objective has been to show transparency in the data collection process as suggested by Gilbert and Rugroick (2010). This will enable readers assess the trustworthiness of both the data and the findings.

This study used a semi-structured interview for selected case studies. The semi-structured interview enables the researcher to ask the same questions in different case studies in order to overcome the problem of having different questions for different cases. These interview guidelines were used to guide the interviewer. Interview questions were developed from the previous literature on retail in Africa and the linkage of small-scale farmers (Reardon and Neven, 2003; Sindi, 2013), the impact

of the emergence of supermarkets on a host country (Emongor, 2008; Onzere, 2012) and the supplier-retailer relationship (Hingley, 2001, 2005, 2005). Different interview guides were developed for different actors, as shown in Appendices 1, 2 and 3.

There were some variations in the questions I have asked depending on the position of the participants, since their positions influence the nature of the information they were able to provide. There were, however, been some standard questions. For example, questions of policy and the growth of supermarkets were asked to all respondents involved in making decisions at the firm level, such as owners and managing directors, while branch managers and procurement officers were asked about criteria and their perception on relationship. I also used a cross-case analysis to achieve reliability.

2.3.4: Validity in Cases Study Research

The methodology literature informs us that researchers that use case approaches must pay attention to content and construct validity in their data collection process (Long and Johnson, 2000). This relates to the transparency criteria and technique used to select participants in the case as well as to the phenomenon under investigation. Recruiting a correct sample is therefore very important for the case study approach.

One of the criticisms of case studies that rely on interviews is the problem of biases with the desire to protect organisational image. To minimise biases in case study interviews, Eisenhardt and Graeber (2014) proposed using the following: (1) numerous and highly knowledgeable informants (2) actors from different levels of an organisation and (3) actors from other organisations. Therefore, in this study I selected participants that include: (1) *Retailers*: branch managers, managing directors, floor managers and procurement officers; (2) *Food suppliers*: owners, marketing managers, production managers, marketing officers and a chief accountant; and (3) *Policy-makers and business associations*: Food inspection managers and enforcement, zonal managers, quality officers, development managers, advocacy officers and a deputy laboratory director.

2.4: Gaining Access to the Participants

According to Morse (1991), there are four types of sampling that are used in qualitative research, which include: the purposeful, the nominated, the volunteer and the total population. While Coyne (1997) suggested two sampling strategies to be used in qualitative studies namely selective and

purposeful sampling. Furthermore, Glaser (1978) and Becker (1993) suggested theoretical sampling be a type for qualitative study. However, theoretical sampling is considered a form of purposeful sampling and not a type (Coyne, 1997; Sandelowski, 1995; Patton, 1990). Patton (1990) argues that all qualitative study starts the question of where researchers will get rich data for their study. In this regard all sampling techniques are purposeful in a qualitative study.

For a qualitative case study approach, an individual's experience and knowledge of a phenomenon is very important. Yin (1994) argues that the selection of a participant for a case study depends on the richness of the information that may be gained from the interview for the study. This is in line with the critical realism paradigm chosen for the study. Therefore, what is important for any sample is the kind of information that you either look *for* or *at* in the data. In the language of Grounded Theory, Glaser (1978) argues that researchers would collect and analyse data with a desire to look for emerging codes and categories that were important to guiding selection for the next participants, and even review the interview protocol. This is referred to as theoretical sampling. That means that study is more inductive and not guided by a predetermined list of frameworks (Sandelowski, 2000; Coney, 1997). This study used a purposely sampling technique that I argue fits with the realism paradigm.

In this study, I used purpose sampling technique for data collections. The selection of the techniques was due to the following factors: (1) Participants in Tanzania would have different experiences and knowledge from working with different international and local retailers. For example, suppliers in Morogoro may supply a chain store located in Dar es Salaam, but not a store owned by a similar company found in other towns for other reasons, such as supply chain management problems. (2) Participants can have different experiences and knowledge of a relationship with government agencies for various reasons, such as networks and timing. (3) The retailer's country of origin might be a reason for other actors in the value chain to have different experiences. For example, the way domestic and international retailers establish and maintain relationships would be different.

To gain access, I began with physical visitation at the retailers' premises or head offices. Then I delivered a research invitation letter, interview guide and my business card. In all these places, I asked for a method of contact, such as mobile number, to pursue further contact, and a name of particular officer dealing with marketing and procurement.

In some family business firms, I was allowed direct contact with managers, managing directors and procurement officers after introducing myself. In government agencies, letters were supposed to wait for permission from director general. Some replied with letters and some replied informally by directing me to a particular officer who could take care of my questions.

To gain access to private companies I used different techniques, such as presenting my research invitation letter and my classmate's network. I used my education and family networks to gain access to some of the participants. For example, to gain access to some of the retailers and suppliers in Arusha, I had to ask some of my friends whether they knew them based on my list. Two of my friends connected me to some of the participants in Arusha. One colleague of mine is a Branch Manager of a commercial bank and another is a Tax Officer. This was also true of food suppliers who were doing well but with whom I had to use my networks to gain access.

For fresh produce I used two different ways of getting access to people with experience of selling to modern retailers in Tanzania. First, I visited at the open market and introduced myself to the open market manager and explained the objectives of my research. He was introduced me to the food suppliers with the experience of selling to modern retailers and exchanged their contact information for the purpose of further communication and to make appointments to conduct interviews. Though two participants were found to be appropriate for the study one declined to participate.

Another technique that was used was asking branch managers for the contact information of the suppliers of their fresh foods. Most of the managers with specialised suppliers introduced me to the fresh food managers through this contact information. I got four names of fresh food suppliers with their telephone numbers. When contacted, two agreed to participate in the study and two declined for different reasons, such as having tight schedule.

After making interview appointments, I visited interview subjects at their locations or at meeting point. For retailers, I conducted interviews on the premises: either at a warehouse, an office, or in a store. For food suppliers, interviews were conducted on the premises.

Naturally, certain factors influenced both my understanding of the study and decisions that I have made, from data collection to development of themes. For example, in 2009 I was involved in a survey of some of the retailers and food processors. Some were supportive and some were reluctant. Therefore, this time I approached them with the expectation that would reject my invitation. Furthermore, some of the food processors that accepted my invitation before were those whom I

had considered first. That means that even my selection of participants was influenced by my previous connections and beliefs that my requests would be rejected or accepted. My previous experience in recruiting informants encouraged me to use networking and snowball strategies in recruiting informants for the present study. I first contacted people I knew from the previous study (in 2009), who then directed me to the appropriate persons within the various institutions, firms and organisations who would be likely to be supportive of my requests and/or connect me to top executives of the organisations.

2.5: Data Collection Process

The use of a voice recorder and a semi-structured case study protocol increases validity (Yin, 1994). I therefore made use of a voice recorder in the data collection process. Before I used the voice recorder, however, I asked permission from the participants. I told them the reasons for doing so and explained the importance of the exercise for my study and, more specifically, the importance at the data analysis stage. Some of the participants accepted and some rejected. I also used a field notebook to record conversations for all interviews.

Researchers are also advised to enhance the validity of their studies by making sure that their interpretations of the data collected reflect the realities they have investigated – i.e., what is taking place in the context in question. Triangulation is one technique that can lead to validity at this stage (Yin, 1981). What I have done related to triangulation I have been explained in the previous sections.

2.6: Background and Knowledge of Informants

The literature advises researchers to use variety and highly knowledgeable informants in order to engage in respondent triangulation of the information obtained and the insight gained in collecting qualitative data. Table 2.3 shows that participants were of different backgrounds. For example, the managing director of Panone Supermarket and is also the son of the owner. This was the case for the managing director of TSN Supermarket. Based on the nature of making decision in family businesses, it is likely that they have deep knowledge on the business. For example, some managers of the declined to answer some of the questions, and directed me to see the owners. Therefore, in some cases, I interviewed two people at one firm.

For food suppliers, Table 2.2 shows that most participants had experience and direct contact with retailers and government agencies. For example, at Kijenge Animal Products, both participants were senior marketing officers. One of them has been an employee in the marketing department for nineteen years. Furthermore, production managers and a financial manager were interviewed.

Table 2.4 shows that organisation actors were recruited from different levels ranging from managing directors and owners to branch managers with experience working with different organisations. For example, the branch manager of a Nakumatt supermarket worked at a Shoprite supermarket for ten years before Shoprite exited the Tanzanian market in 2014. The fresh food manager of the Game who worked at a Shoprite supermarket for eight years in Tanzania followed a similar professional trajectory.

Similar actors from different institutions were employed to examine their views of various issues related to the emergence of modern food retail and the linkage of local food suppliers. These actors were from government institutions such as TBS, TFDA and SIDO, and from business associations such as TCCIA. For example, officers from TFDA, one is the Zonal Manager and another is from head quarter. The officer from headquarter deals with food inspection and law enforcement in the country. The participant from the business association is the Advocacy officer, who has ten years of experience.

2.7: Choice of Products

In order to determine the potential impact of the emerging urban modern food retail distribution system in Tanzania's agri-food sector, the study will focus on a limited number of fresh and processed food products. Selection of the food items was based on the availability of processors and growers in the country. The change in consumption behavior was also considered. For instance, there has been a change among African consumers' approach to staple foods: while maize flour still dominates the urban population's consumption, consumption of rice and wheat has been increased (Jayne *et al.*, 2006). I decided to use food produced in Tanzania and not imported products like wheat.

On the other hand, in some countries, the demand for cheese has increased, and modern retail is now seen as the major distribution channel. In Kenya, the sale of fresh produce sold through

modern retail has increased (Weatherspoon and Reardon, 2003). The same trend has been reported in Tanzania's food market. Therefore, the following food items were selected for the study.

Products used in this study include fresh and packaged food products. Processed foods selected for the study are: maize flour, rice, sunflower cooking oil, rice and dried beans. Fresh products include: chicken meat, sausages, tomatoes sauce, beef, vegetables and fruits. Green (2015) argues that the presence of middle-income workers in Tanzania has increased the consumption of and demand for packaged protein.

The selection of maize flour, rice and dried beans was based on the country's consumption and production. It is estimated that 28 million people eat maize flour in the form of Ugali (stiff porridge) each day in Tanzania, for example. Ugali is the staple food that is made from maize flour for most ordinary people in the Tanzania. The consumption of ugali in Tanzania is also associated with culture, and so is one of the dominant staple foods (Ohna, *et al.*, 2012). Cooking with sunflower oil is emerging in Tanzania since the introduction of a liberalised economy in the country. Rice is produced by small-scale farmers and intended to be a cash crop. Tanzania is regarded as the major producer of rice in East Africa. Minot (2010) argues that rice is a third staple food in Tanzania and contributes 8% of the public's caloric intake.

2.8: Locating Sites and the Selection of Retailers

One of the major challenges of data collection on modern retail and distribution in Africa is the lack of a database (Reardon and Neven, 2004). To minimise lack of having a database to rely on, I used information from newspapers and websites to locate retailers in the selected towns. Some of the retailers I contacted in Dar es Salaam were Village Supermarket, Shirjee Supermarket and Shoppers Plaza Supermarkets. However, all these firms declined to participate in the study after follow-up physical visits and telephone calls.

To obtain the contact information of local food processors, I gather their mobile phone information when I visited a particular food stores. I developed a database based on the products that modern stores displayed. This technique has been used by Emongor (2008) in her study on the impact of South African supermarkets on SADC member countries. This technique is fast and reliable, and allowed me to have information on the firms that supplied to the distribution, because I could find their products on the shelves. However, one of the disadvantages was high chance of marginalising

some of the suppliers whose product could not be found in stock for various reasons. Some were be due to delivery difficulties. There was also a significant chance some of contacts did not exist or those communications were not received. For example, I collected about five telephone numbers of food processors in Arusha, but their mobile numbers were not active.

Creswell (2013) and Plummer (1983) suggested that for qualitative research is very important to have participants who are marginal, great or ordinary. In general, issues of whether or not to sell occur more at the firm level, and could be more than participants would be ready to share. For my study, those who are marginalised were those without access to modern food retail distribution, while those who are great were those who have accessed modern food retail stores. In that respect, I have taken initiative in finding some of the leading food brands that I found in one store and not in other outlets.

I therefore, tried to contact representatives of firms whose products were found in some stores but not in others. For example, Foot Loose products were stocked at Game and Uchumi, but not in other stores, such as TSN and Nakumatt. I understand that in some cases, suppliers may prefer to have contract with only one retailer, rather than many firms. However, I argue that this depends on the volume procured and number of stores in the chain. In Tanzania, however, the number of chain stores one firm has cannot allow that one to occur and even for the volume sold through the modern retailing stores.

Furthermore, ‘doing well’ does not necessarily mean distributing to modern food retail stores. This could be due to any number of reasons, but many, including terms of trade and volume required by buyers, are not convincing. I therefore, found that issue of a good performer in itself would not be important in my study. In this regard, an individual’s experience is very important in my study, rather on ‘good’ or ‘bad’ criteria. I developed a list of food suppliers and retailers that I decided to invite to participate in my study. Data were collected in four regions of Tanzania from September 2014 to February 2015.

Second, the availability of processed food companies was also a reason the selected regions were chosen for study. For example, it is estimated that 51% of the factories are found in Dar es Salaam, and 8% in Arusha (Ministry of Industry and Trade, 2012). Morogoro is the country’s food basket, which makes it a good site to locate an agri-processing firm. This shows that the selected areas were good for study because they were home to a sizable number of food processors. Furthermore, the

above mentioned study estimated that 30% of manufacturing in Tanzania is engaged solely in food manufacturing. This influenced my decision to use food processors as the main participants in the study.

The third reason was that the emergence of the supermarket in developing economies is associated with an increase in income. It is estimated that Dar es Salaam has the highest income per capita in the country with Tsh 1,600,000, while Arusha averages 1,200,000 and Morogoro, Tsh 1,000,000 (Economic and Social Research Foundation, 2014). Given these reasons, I assumed that these regions were the best areas for my studies.

Table 2.2: Sample description of the food suppliers that participated in the study

<i>Case(Company)</i>	<i>Year started</i>	<i>Products</i>	<i>Number of employees</i>	<i>Participant position</i>	<i>Number of participants</i>	<i>Gender</i>
Mzomo Services Limited	2004	Beef, fresh and frozen chicken	35	Managing Director(owner)	1	Male
Meat King Limited	1996	Beef, fish, pork, chicken, sausage	30	Managing Director (owner)	1	Female
Namazone Business Centre	2004	Vegetable and fruits supplier	3	Managing Director (owner)	1	Female
Happy Sausage Limited	1990	Beef, pork, sausage	43		1	Male
Kijenge Animal Products Limited	1984	Frozen chicken, animal foods	202	Senior Marketing officers	2	Males
Darsh Industries Limited	1998	Tomato paste and sauce, spices	200	Production Manager	1	Male
Monaban Farming and Trading Company Limited	1994	Wheat flour, maize flour, dried legumes, dried cereals	200	Director of Finance (relative)	1	Male
Foot Loose Tanzania Limited	2003	Mize flour, rice, dried legumes, cooking sunflower	6	Managing Director (Owner)	1	Female
Basic Element Company Limited	2010	Maize flour	45	Marketing Manager and Operation Manager	2	Males

Table 2.3: Sample description of the modern food retailers employees who participated in the study

<i>Case(Company)</i>	<i>Year started (entered Tanzania)</i>	<i>Number of outlets</i>	<i>Number of employees</i>	<i>Participant position</i>	<i>Number of participants</i>	<i>Gender</i>
Nakumatt Holding Supermarkets	2008	4	208	Branch Manager	1	Male
Uchumi Supermarket	2014	6	400	Procurement Officer, Floor Manager	2	Males
The Game Supermarket	2006	1	36	Branch Manager, Fresh Food Manager	2	Male and female
Shop-N-Save Supermarket	1990	3	25	Branch Manager	1	
TSN Supermarket		6		Procurement Officer and Managing Director	2	Males
Panone Supermarket	2008	12	30	Deputy Managing Director	1	Male
Imalaseko Supermarket	1998	4	200	Personal Assistant to Managing Director	1	Male

Table 2.4: Sample description of the institutions' officers who participated in the study

<i>Organisation</i>	<i>Year started</i>	<i>Purpose</i>	<i>Participant position</i>	<i>Number of participants</i>	<i>Gender</i>
Tanzania Bureau of Standards	1975	Promoting quality and standard	Quality Officer, Deputy Director of Calibration	2	Females
Tanzania Food, Drugs Authority	2003	Promoting and protecting public health	Zonal Manager, Food Inspector	2	Males
Small Industries Development Organisation (SIDO)	1973	Promoting growth of small industries	Business Development Officer	1	Male
Tanzania Chamber of Commerce Industries and Agriculture	1990	Promoting growth of private sector	Business Development Officers	2	Males

2.9: Qualitative Data Management

Secondary data: Secondary data that were collected from online newspapers and government reports were stored in NVivo 10 files. Newspapers articles were also printed and filed. Five firms agreed to produce different reports, such as marketing research; however, they were not ready to share with me. Some of these reports were supported by the UNDP as the initiatives to support domestic food processors. Government agencies shared various reports with me – for example, regulations and laws – while SIDO supplied me with their magazine on different issues. I also downloaded copies of the Announcer Magazine issue by TBS from their website.

Primary data: Interview data in audio were stored in NVivo 10. After I finished translating the text were printed, and the hard copy was filed, while the soft copy was maintained in NVivo 10 for a further stage of analysis.

2.10: Unit of Analysis

One of the very important elements of the case study approach is the unit of analysis. To identify the unit of analysis, it is important to understand the study's research questions. The current study intends to explore the linkage of local food suppliers in modern food retail in Tanzania. Shaw (1999) argues that the case study unit of analysis is the ability of participants to provide the information needed for the study. As the case study approach depends on the participants' knowledge and experience of the phenomenon, individuals' willingness to participate in the research is very important.

Baxter and Jack (2008) proposed that the following three questions must be answered by the researcher: 1) Do I want to analyse the individual? 2) Do I want to analyses a programme? 3) Do I want to analyse the process? Based on the previously articulated objective of this study and the research questions, I suggest that the ultimate objective this study is to investigate the process that involves the linkage of local food retailers in modern food retail in Tanzania.

Patton (1987) argues that the key factor for selecting and making decisions about the appropriate unit of analysis is to decide what unit you want to be able to discuss. It therefore becomes important to understand and identify contextual factors surround the unit of analysis (Grünbaum, 2007). Thus, the goal of the study is to explore and understand how local food suppliers can be integrated in modern food distribution in Tanzania. Furthermore, and as argued previously, the food business in Tanzania is highly monitored by government agencies. This study employed relationship as unit of

analysis. This entails understanding the processes that shape the relationships. Thompson and Walker (1982) thus argue that the key thing in employing relationship as a unit of analysis is not having internal and outside participants, but rather an understanding of a relationship from various perspectives. In general, for example, analysis can start from individual participants, but focus must be on the property of analysis. Furthermore, a relationship is guided by priory knowledge and that must be used (Thomson and Walker, 1982; Yurdusev, 1993; Lindgreen, 2001).

Anderson *et al.*, (1994), Lindgreen (2001) and Thompson and Walker (1982) argue that the formation of a construct that may guide the study of relationships is very important, and must be reflected for properties that govern relationships and not individual personality. Previously, I have argued that network relationship is criticised as lacking constructs that govern the study. Properties that govern erelationship such as trust, governance, and commitments were used in the study, as per attached semi-questionnaires.

2.11: Thematic Data Analytical Technique

Thematic analysis can be defined as the means of searching for themes that emerged as significant in order to describe a particular phenomenon from particular qualitative data (Daly *et al.*, 1997). This process requires an iterative reading of a whole transcript in order to understand and observe patterns that emerge from data. It is a form of pattern recognition within the data, in which emerging codes become the themes for analysis (Fereday and Muir-Cochrane, 2006).

Qualitative researchers have been criticised because they lack justification for selecting specific analytical tools (Miles, 1979). In general, the selection of analysis technique must be in line with the paradigm selected. In practice thematic analysis is governed by the predetermined framework, with a list of variables to guide the researcher in the process of searching for patterns. These forms of variables can be developed from empirical findings or from theory. However, this is not intended to limit researcher to focusing on the emerged patterns in from the data (Miles, 1979; Yin, 1981). This is similar to the requirements of realism paradigm selected for this study.

Fereday and Muir-Cochrane (2006) argue this the approach complements the research questions by allowing the tenets of a social phenomenon to be integral to the process of deductive thematic analysis, while also allowing themes to emerge directly from the data using inductive coding. It is highly recommended that researchers have a starting point of idiosyncratic path dependence at the data analysis stage (Eisenhardt and Graebner, 2014). In light of these observations, the thematic approach is recommended for this study. My reasons are as follows: First, the study is based on theory and literature (deductive). In this regard, my interest was to see if some patterns, as suggested in the literature, emerged. Second, I want to benefit from the flexibility of the thematic analysis, in that it allows the researcher not to be guided by the framework developed from the literature alone for analysis. In my analysis, I combined techniques of deductive and inductive perspectives for thematic analysis.

2.11.1: Qualitative Thematic Analytical Strategy

Different steps have been proposed for conducting thematic qualitative analysis. For example, Attride-Stirling (2001) proposed six stages for qualitative thematic analyses that include: (1) code material, (2) identify themes, (3) construct thematic networks, (4) describe and explore thematic networks, (5) summarise thematic networks and (6) interpret patterns. These stages appear to be sequential, but in practices are iterative. Furthermore, stage 3, which involves formulating codes, has a different style of naming and presenting codes for the thematic analysis approach. For

example, Attride-Stirling (2001) proposed three steps for the thematic process with names like ‘basic themes’, ‘organising themes’ and ‘global themes’.

Braun and Clarke (2006) proposed six similar stages, but with different names, those being: (1) familiarizing yourself with your data, (2) generating initial codes, (3) searching for themes, (4) reviewing themes, (5) defining and naming themes and (6) producing a report. Although the they mentioned study did not indicate steps to be followed for coding processes, like Attride-Stirling, did, there impliedly seem to be only three steps that can be followed based on the examples indicated in their work: codes, sub-theme and theme. Furthermore, Astride-Stirlling (2001) maintained world codes and theme.

There is no general consensus on the terms used for qualitative data analysis (Creswell, 2013). For example, in some works, some words like pattern and category are used synonymously with theme. Furthermore, some analyses have three stages and others six, as I have previously indicated in the thematic analysis. Therefore, in this study I will use ‘category’ and ‘theme’ as different terms for purposes of clarity. I have also decided to follow three stages in the data analysis. These include: codes, category and theme. Thus my interpretation will therefore be based on themes.

2.11.2: Development of Framework for Case Study Thematic Data Analysis

Creswell (2013) argues, however, that for prefigure to be used the researcher must be open for more code emerging in the data analysis phase as a reflection of the views of the participants. I followed that advice and let the data speak for itself, and the new codes that emerged were not common in many of the previous studies. I also used a predetermined framework (derived from the literature – see Chapter 4) to help understand the flow of the data. In re-reading the entire background of each case, some codes emerged on different pages and through different questions posed. This shows the importance of re-reading the full background during the coding process.

2.11.3: Coding and Analysis

The first process in thematic qualitative data analysis is reducing the data in text formats to have few words with meaning. This process is known as textual coding. To start coding, I used the framework I developed from my theoretical chapters (see Chapter 4) to guide my analysis. This limits the problem of coding every single sentence in the original text (Attride-Striling, 2001). I

then proceed to see some of the codes emerge out of the proposed framework. I conducted the coding separately for each case.

The literature recommends that analysis for qualitative data be conducted concurrently with data collections (Fereday and Muir-Cochrane, 2006). I conducted most of interviews for the study in Swahili. That means I first transcribed the data into Swahili, translated it into English. This made it difficult for me to undertake the data analysis concurrently with the data collection. I am aware that write-up delays can cause problems in the quality of reported data because much is forgotten or oversimplified (Miles, 1979). Since I voice-recorded most of the interviews, I have been able to minimise the occurrence of this problem.

Bazeley (2013) argues that when data is collected in a language other than that required for publication, its important conducting the analysis in the original language in order to avoid losing the original meaning during translations. Based on this, I conducted the preliminary analysis in Swahili, and did not wait for the data to be translated into English. This decision enabled me to review some of the questions and also to ask more questions on issues introduced by retailers during the early stages of data collection. For example, from the first interview, I noticed that the issue of trade credit was not well captured in my researcher protocol but, emerged as a strong topic with suppliers and retailers. This prompted me to include the idea in subsequent interviews.

2.11.4: Qualitative Coding Strategy

Codes refer to the selected text selected from a large sample of a transcript (data) that is intended to aggregate certain information. This process of aggregating the text into smaller portions of text that has meaning is called coding (Creswell, 2013).

In the current study, I started by manually coding the information that related to different research questions from the transcript. This coding process was guided by my analytical framework, with the words originating from the literature and theories. I argued previously that the use of a framework developed from literature did not limit me in expanding to more emerged codes than those explained in the literature or even the theories. This stage involved refining codes after first stage of identifying them.

Code-naming was based on Nvivo and related to names used by participants within their operational contexts. I saw the need to the use a context influenced by my own understanding because in some situations participants did not use conventional words to explain their viewpoints, apparently due to

fear. This was influenced by the nature of the study: some participants even asked not to be recorded. For example, in some interviews, suppliers were not willing to explain the nature of their relationships with retailers. Some retailers were also unwilling to discuss their payment policies and suppliers' reactions to these policies. I had to rely on my knowledge and the reflection of the business context in Tanzania to assign codes to those parts of the data.

2.11. 5: Qualitative Category Formulation Strategy

'Category' is the label assigned to the aggregation of codes related to certain ideas that emerged from the context or from predetermined questions. In general, one code can appear in more than one category.

I began by aggregating codes into categories that seemed to be similar to the predetermined list of ideas from the literature review and from theories. At a certain point, categories with more than one word were formulated by reflecting on the code names that seemed to be similar in meaning and interpretation. This process is referred to as the 'axial coding', whereby one reassembles or disaggregates data in a way that can reflect a relationship between and within categories (Wicks, 2010). For example, categories like 'living standards' and 'low-income earners' were joined together when I was searching for themes related to determinants for the emergence of modern food retail in Tanzania.

2.12: Strategies for Within-Case Study and Cross-Case Study Analysis

'Theme' is a broad unit that combined to form a common idea (Creswell, 2013). In general, a theme combines codes and category with the goal of giving meaning to the study based on a particular context. That means that the interpretation of the meaning of a theme has to reflect social actors (Glasser and Strauss, 1967). I started interpreting the data at this level to see if some of the themes were making sense in the context, as previously argued.

I developed different themes from the within-case analysis of the three research questions addressed in this study. I then proceeded with cross-case analyses of each theme from the within-case analysis. At this stage, some codes appeared in more than one theme.

In the analysis of data, I applied a thematic analysis within case study and in the cross-case analysis. For each case, I showed the themes that emerged to be strong. One of the common problems that occur in within-cases analysis is that each sentence becomes a code (Yin, 1981). To minimise this effect, I reread the transcripts and then evaluated whether the codes within the cases were similar to others before joining them to form categories. The themes that then emerged from each case were integrated for further analyses within the cross-case analysis.

After an analysis of the within-case analysis, a cross-case study analysis was performed by integrating findings from each case with groups from the case study, with the goal of answering the three research questions. At this level, the focus was on the communality and differences within cases.

Yin (1981) argues that cross-case analysis depends on the type of case study approach used in the research. For example, in a survey case study that requires a large number of cases to warrant tabulation each of elements emerges as strong in each case must occur in a large number. The argument based on the number of occurrences means that those with a low frequency do not warrant attentions. Thus, focus is on counting the codes in order to use simple communality, and those that appear less frequently should be rejected. However, focusing on the emerging themes with a higher frequency, as opposed to those with a lower frequency can reduce the chances of understanding the phenomenon and the experiences of an individual.

Another type of cross-case analysis is a comparison case study (Yin, 1981). This type of analysis is only appropriate for a few cases, and allows for modifications of the emerged themes. The idea of 'modification' means that the researcher can see if it is only the number of occurrence or the also the meaning based on the context of the study. This means that some themes can have little support in the cross-case analysis, but this does not mean that they are less important in practice. Creswell (2013) argues that at this stage of screening themes, the importance of theme from the case study research needs to reflect what is taking place in the studied phenomenon.

A very important element in both surveys and comparison case studies is the presentation of the chain of evidence (Yin, 1981). That means the chain of evidence for a particular theme has to be supported by a within-case study analysis, a cross-case study analysis and in the interpretation stage. Therefore, the reasons for having a large number of cases to support a theme or themes that have emerged in different cases are not important.

In this study, I decided to use both within-case analyses and a cross-case analysis for each three research questions for each actor – i.e., (1) retailers (2) food processors and (3) policy-makers. Themes that emerged from commonalities and differences across case studies were therefore considered important if they could reflect what was taking place among practitioners.

2.13: Summary

This chapter has discussed the methodological approach used to answer researcher questions after briefly explaining the paradigm governing the study. It has presented my views on the selection of the realism paradigm with a reflection on researcher questions, kinds of data, data analysis technique and their implications on the Tanzania business context. The chapter also offered descriptions of the selection of case study approach and case selection, and justifies the limitation of the approach and how I minimised it in relation to developing economies, the business context and the nature of the study. In the last section of the chapter, I have demonstrated the rationale of thematic analysis and techniques related to the use of the method in enhancing the validity, reliability and triangulation in the case study.

Chapter 3: The Research Context

3.0: Introduction

Chapter 1 draws attention to increased modernisation in African and the marginalisation of local food suppliers. The chapter also provides some research questions that guide the study. These are as follows:

1. What factors are driving the development of modern food retail in Tanzania?
2. What factors influence the participation of local food suppliers in the industry?
3. What policies and strategies can be adopted to increase local suppliers' participation in the industry?

This chapter provides a discussion of the research context, the growth of modern food distribution and the situation of food processing in Tanzania. It also provides a description of the previous literature related to food marketing in Africa in general and Tanzania specifically. The suggested issues presented in this context may enable readers to see a clear picture reflected in the theories chosen for the study, and to understand analytical techniques related to the research context.

I have organised the discussions in the chapter as follows. I briefly present the previous studies on modern food retail in developing economies and examine and discuss their relevance, as well as their limitations in helping me address the research questions presented in Chapter 1. I present studies conducted in Africa in modern food retail. I also present the situation of the food processing industry and the challenges facing the industry in the country by reflecting on the research questions.

3.1. Empirical Studies on Modern Food Retail in Developing Economies

Food distribution systems in developing economies are dominated by small-scale growers, wholesalers and traditional markets. As noted in Chapter 1, these countries have seen significant changes in their food value chains in recent years. For example, in China, modern food retail is shifting from urban to rural areas (Hu *et al.*, 2004), a shift that can also be seen in other developing economies. There are many reasons for this shift in developing economies. According to the World Bank report (2016), the economies of developing countries are forecasted to grow from 4.3 per cent in 2015, which is above the global economy's rate of 2.9 per cent. This increase is

estimated to be 60 per cent more than the percentage of growth of the 1990s. Thus, even in developing economies with a large number of people living on less than a dollar per day, modern food retail systems are expanding with the expansion of these countries' economies.

Previous studies conducted in developing economies on the rise of modern food retail focused on the changes in the earnings of farmers. For example, Michelson *et al.*, (2012) and Reardon *et al.*, (2003) conducted a study on the price paid by foreign retailers vis-à-vis traditional retailers. A second area of focus was which mode should be used to link these small farmers to modern retailers in the new emerging urban food distribution systems (Reardon *et al.*, 2012; Hernández *et al.*, 2007; Merkelova and Mwangi, 2010). Miran *et al.*, (2009) conducted a study on the strategies that could be used by poultry keepers in Turkey, and found that for poultry keepers to benefit from raising chickens to supply modern food retailers, they needed to invest more in storage facilities. Studies have also been conducted on vegetable and fruit growers, and have yielded similar findings and recommendations.

Other studies have noted that in developing countries, modern retailers face unreliable infrastructures, low demand due to low disposable income, volatile government policies and a shortage of human capital with which to run large investments. This body of literature provides a diversity of findings on the future of modern retail in developing economies. Some scholars forecast failures for most large retailers, while others and some see positive prospects for them in developing economies. Some of the studies worth mentioning here are those by Hino (2010), Chen *et al.*, (2009), and Goldman (2001). One interesting finding from the above-mentioned studies is that consumer preferences and buying behaviours are important considerations in suppliers' decision about which retailers they should sell to. For example, it has been noted that for halal food and other fresh products, consumers in developing countries prefer traditional retailers over large modern retailers (Hino, 2010; Maruyama and Trung, 2007). It has also been noted that all consumers, no matter how low their incomes, appear to be conscious of food quality, particularly its freshness, when making purchase decisions (Chen *et al.*, 2009). This finding indicates that modern retailers would be preferred as a source for processed foods in developing countries, but perhaps not for fresh or speciality foods. Furthermore, empirical findings show that modern retailers target the middle to upper socio-economic classes while domestic retailers target lower socio-economics consumers (Chen *et al.*, 2009).

Another category of study focused on consumers' behaviour regarding food. Articles in this category investigated consumer behaviour in relation to formats of emerging urban food retail in developing countries. In some regions, very few studies focused on consumer behaviour. With the exception of China, studies of consumer behaviour in developing countries focused mainly on the acceptance of modern retail formats. For example, there are a good number of studies on ethical food in China, but very few from Africa, and those available in Africa are concentrated in South Africa. Studies on food ethnocentrism have emerged from some parts of Africa with respect to how consumers on the continent behave (Brady and John, 2011a/2011b; Okechuku and Onyemah, 2000a/1999b; Saffu and Walker, 2006a/2006b).

Empirical evidence on food retail in developing countries indicates the transformation of consumer preference in making purchases was not only influenced by prices reasons but also by other, non-price factors. According to Chen and Lobo (2012), consumers in China prefer organic food, and a number of other factors, such as lifestyle, variety of products and regulatory information, also affected their purchase decisions. This suggests that regulatory organisations have a significant role in influencing the demand of ethical food in developing countries. In another study on organic foods in China and Poland, early adopters were found to have been influenced by beliefs about healthiness, taste and environmental friendliness (Thøgersen and Zhou, 2012; Zakowika-Biemans, 2011). Findings on the impact of price on purchasing organic foods are contradictory. In a study conducted in Vietnam, Ineson *et al.*, (2012) found that consumers were not price-sensitive towards organic food, while Zakowka-Biemans (2011) found price to be very significant factor in a study conducted in Poland.

Another category of study focused on food quality, safety and adherence to food standards. Zhang (2003) found that consumers in Shanghai valued the taste of pork and fresh milk more than price. For chicken, on the other hand, availability is the important factor motivating consumption in China. Another study by Zhang (2005) found that Chinese consumers are more concerned about food safety, particularly with regard to vegetables and dairy products, than they are with price. Zhang's study also found that Chinese consumers are not, in general, aware of genetically modified food and ethical, but that young consumers prefer to consume pollution-free foods.

Drawing on these findings, it seems that many of the changes in the food distribution system in developing countries seem to be driven by changes in consumer behaviour. The question I take up in the subsequent sections is whether current knowledge of the food value chain in Africa in

general, and Tanzania, in particular is consistent with general observations from other developing countries. I will also examine how the available knowledge in Tanzania will impact the present study.

3.2: Modern Food Retail in Africa

The literature on modern food retail in Africa are dominated by studies from South Africa and Kenya, since these two countries have the most advanced modern food retail infrastructures in the continent. Kenyan firms such as Nakumatt, Uchumi and Tuskys have penetrated the East Africa community countries. According to Reardon and Gulati (2008), South Africa is the only country on the continent that was in first wave for supermarket diffusion. However, new studies have recently emerged on food retail in other part of the continent, from countries such as Uganda. For example, Onzere (2012) found that modern food retailers in Uganda are oriented towards international food standards when they buying fruits and vegetables.

With the rise of modern food retail in Africa, the focus of current studies has also been on understanding how consumers make purchases. Neven *et al.*, (2006) found that about 56% of consumers in Nairobi purchase their food and fruits and vegetables at supermarkets. Furthermore, the study identified that consumers perceive supermarkets as having lower prices compared to traditional markets. Rischke *et al.* (2015) found that supermarkets in Kenya increased the consumption of processed food across communities, even among members who lived far from the stores themselves. Ayieko *et al.*, (2004) found that in Kenya, about 21% of staple foods are sold through modern retail, while modern retail's share of fresh fruits and vegetables is 5%. However, the findings on the migration of consumers from traditional to modern retail stores are ven more interesting.

Minten and Reardon (2008) studied the issues of price and quality among supermarkets in ten developing economies including Kenya, Botswana and Madagascar. The study found that the prices offered by supermarkets for processed food were below the traditional market. This result was due to the fact that supermarkets can buy in bulk and take advantage of economies of scale compared with traditional stores. Traditional markets still lead in selling fresh products at low prices, such as vegetable and fruits.

These studies indicated that the supermarket is rapidly rising and becoming increasingly accepted as the area for doing shopping in developing economies. These studies had one major mission: to see where consumers were making purchases and the impacts of these choices on small-scale farmers. These studies led to the emergence of new trend of study toward understanding the impact of supermarketisation on the global South on the small-scale farmers.

It has been argued that the rise of supermarkets in Africa will have an impact similar to that in Europe, thereby marginalising small-scale farmers. Some previous studies conducted on understanding the impact on small farmers have indicated that small-scale farmers are marginalised due to high demand for quality products and set standards by retailers. These studies were conducted in countries specific to a regional economic block such as the South African Development Community (SADC). Emongor (2008) studied the impact of South African retailers in SADC countries and found that the retailers marginalised the host country food suppliers. Researchers' interest in local food retailers was divided between processed and fresh fruits and vegetables.

Andersson *et al.*, (2015) used longitudinal studies to understand the impact of supermarkets on small-scale horticultural producers in Kenya. In general, the study found that small-scale farmers earned enough when they supplied to modern retail stores, as compared to the traditional market. However, this study also indicated that farmers were not happy working with supermarkets, and they abandoned the channel in Kenya. In general, studies from Kenya show that suppliers of horticultural produce gain access to a reliable market and good income when they work with supermarkets (Riungu, 2011; Andersson *et al.*, 2015; Riungu, 2011). However, Andersson *et al.*, (2015) showed that farmers shy away from selling to modern food retailers and call for further investigation into the issue.

One of the challenges that small-scale producers face in meeting the demands of retailers is that high transaction costs reduce their efficiency (Louw *et al.*, 2008). I have argued above that the literature review results show that small-scale farmers were marginalised due to the emergence of modern food retail. While the market chains seem to benefit them, some studies have emerged that focus on the linkage between small-scale farmers and the markets. For example, Louw *et al.*, (2008) conducted a case study in South Africa and found that the best way to increase participation of small-scale farmers in the developing food retail channels in Africa was through the formation of farmers' groups. Despite the importance of these groups, in a study conducted in Kenya, Sindi

(2013) found that despite the higher income small-scale farmers receive from affiliations with these groups, they shy away from joining a farmers' group or reduce their participation in such groups. Louw *et al.*, (2007) found that retailers in South Africa can link suppliers of horticulture produce such as mangoes and tomatoes through training and support on meeting quality and set standards. The studies also have contrary findings on the reasons for the rise of modern food retail in Africa. For example, Neven *et al.*, (2006) find that car ownership is insignificant. Tshirley *et al.*, (2015) find it is not.

In sum, although previous studies on food marketing in Africa have produced remarkable insight into barriers faced by small-scale farmers and into consumers' perceptions of supermarkets in the Africa, I argue that less is known about how modern food retailers' stores make decisions about what to buy. What are the key factors that lead to the evolution of food retail stores on the continent? Furthermore, less is known about the establishment of relationships between suppliers and retailers on the continent. In general, studies conducted in Africa were more concerned with demand-side factors in the rise of modern food distribution, with no attention paid to the supplier-retailer relationship.

3.2: Previous Studies on Modern Food Retail in Tanzania

Nishiura (2010) and Rutashobya (1992) have conducted some of the few studies focused on issues of modern food retail in Tanzania. While Rutashobya's study has focused on retailers' pricing strategies with a focus on price margin techniques, the study used an aggregation of data from both modern retail and traditional retailing stores. Nishiura's (2010) study focused on the emergence of supermarkets in Tanzania and Ethiopia from the perspective of the value chain structure and with a focus on items that were stocked by supermarkets. The study did not concern itself with how local food suppliers could penetrate the increasingly modern food retail landscape in Tanzania.

Other studies conducted in Tanzania have focused on beverage distribution of local food processors. Daudi and Lushakuzi (2014) identified some challenges that local food suppliers faced in distribution that related to infrastructure. Nguni (2013) found that food processors faced challenges in poor packaging and storage facilities. Issues of quality also emerged as a strong barrier to Tanzania's producers' market access (World Bank, 2005).

Other studies conducted in Tanzania focused more on the welfare of farmers. For example, Kisenge (2007) investigated how farmers find and use marketing information to support their decisions when

selling to traders in the open market. Charles (2008) finds that poor quality of produce diminishes the chances that farmers of horticultural produce can access high-value markets. Also Kulindwa (2008) and Eskola (2005) also studied the impact of institutions on the farmers' ability to access markets in Tanzania. These studies found that, with the support of local officers, there is a high chance that small-scale farmers can access markets for their produce.

Other studies on food marketing in Tanzania have focused on consumer behaviour regarding locally processed food. For example, Mwijarubi (2007) found that education level, income and number of children in a family all have an impact on family consumption of locally processed milk. Mishili *et al.*, (2011) found that consumers buying in wet markets in Morogoro and Dar es Salaam in Tanzania were willing to pay more for dried beans of high quality. Gwanta (2012) and Mwana (2013) conducted supermarket intervention surveys in the city of Dar es Salaam in order to understand consumers' perceptions of labelling during food purchase. The above-mentioned studies found that there is a low awareness amongst consumers about the information on food labels. Furthermore, Mwana (2013) found that supermarket consumers with obesity or a high level of education were more likely to read label with product information when compared to other categories of consumers.

There are few studies that have examined and compared traditional and modern retail stores to understand their impact on farmers' sales opportunities. These studies have focused on theory testing and therefore relied heavily on quantitative analytical techniques such as regression analysis, and logit models. Although valuable, the quantitative approach of these studies does not consider valuable qualitative information in market and purchasing decisions. The present study builds on knowledge from these previous studies. By adopting a qualitative approach, it complements the available knowledge by providing valuable qualitative perspectives.

3.2.1. Food Retail before Liberalisation in Tanzania

After the Arusha declaration in 1967, which saw Tanzania following a socialist ideology in all activities, the importation and exportation of consumer goods were controlled by government. In 1971, the State Trading Corporation (STC) was formed with the responsibility of distributing consumer goods throughout the country. The enactment of STC ended a job hat had previously been performed by 400 importers, 400 private wholesalers and 4000 sub-wholesalers (UNECA, 1991).

Due to a lack of experienced staff, the STC was dissolved to form the Board of Internal Trade (BIT) and the Board of External Trade (BET).

BIT was responsible for distribution to consumers in the country through its outlets across regions and cooperatives in the villages throughout the country. In 1976, the Tanzanian government banned cooperative societies in the country. This resulted in all national distribution consumer goods, which had once been performed by cooperative societies, being controlled by BIT. BIT formed regional trading companies (RTCs) as subsidiary companies that dealt with distribution of goods in each region in a country.

RTCs from each region were required to estimate the demand for various goods from the village through the regional level and to submit their demands to BIT, which in turn would be required to present these reports to the National Allocation Committee (NAC) (Mothander *et al.*, 1989). In fulfilling their responsibilities, RTCs were faced with a number of challenges, such as a lack of experienced staff, a lack of customer orientation, untimely delivery, favouritism, corruption and mismanagement of funds (Mothander *et al.*, 1989; UNECA, 1991; Heilman and Ndumbaro, 2002). These problems caused the collapse of RTCs, which in turn led to a lack of consumer goods among Tanzanian consumers in the mid-1980s. In the mid-1990s, the government decided to close the operation of RTCs, and properties at different regions were privatised.

3.2.2. Modern Food Retail after Liberalisation

In 1984, Tanzania started to embrace liberalisation policies, which accelerated the reopening of retail business to the private sector. Some of these policies were the removal of an export tax to import consumers' goods, which led to the growth of the distribution of consumer goods (UNECA, 1991). This change also led to the emergence of modern food retail stores owned by individuals.

There is no clear data that shows what the first modern food retail chain in Tanzania was. However, based on my interviews, Shoppers Plaza supermarket at Msasani, which opened in 1997, is considered to be the first modern store in the country. This opening was followed by Imalaseko Supermarket at Pamba House in Dar es Salaam. That store was opened in 1998 and was owned by Mr Jumanne Kibera Kishimba (see Chapter 5). All of these stores targeted high-end consumers. Based on my interviews with government officers, the current number of modern food retail distributors is not known in the country; it is, however reported to be rising very quickly.

Nevertheless, the aggregate statistics in Table 3.1 shows that trade and repair (wholesale, retail and repair) in Tanzania grows at an average pace of 13% annually. In spite of a lack of clear data that showing the growth of the modern food retail sector in the country, the data generally indicates that the retail sector is growing very quickly in Tanzania. For example, the KPMG (2014) report shows that penetration of packaged food items is at 75 % in Tanzania. This demonstrates that there is a demand for packaged food in large cities in the country. It also indicates that there is a chance for local processed food to succeed.

In 2001, Pick N Pay, a South African retailer, opened its first store in Tanzania. In 2002, another South African retailer, Shoprite Supermarket, opened a store in Dar es Salaam, Tanzania. However, in 2002, Pick N Pay closed its three stores and they exited the Tanzanian market. Those closed stores were acquired and reopened by Shoprite. In 2012, Uchumi Supermarket entered the Tanzanian market. The store reported an annual growth of 10% in 2014 (DSE, 2014). In 2011, Nakumatt supermarket opened store in Kilimanjaro. Choppies Supermarket, a Botswana retail firm, planned to open 75 stores in Tanzania by June 2016 (Tanzania Invest, 2015). Despite all of that this growth, Shoprite sold three stores in 2014 to Nakumatt Supermarket (two in Dar es Salaam and one in Arusha), a Kenyan retailer. In October 2015, Uchumi Supermarket closed six stores in Tanzania, but I managed to conduct an interview with them in 2014 during my data collection period in Tanzania.

In general, Tanzania is not considered saturated for modern retail business. For example, an international management consultancy company report (A.T. Kearney 2014) shows that Tanzanian modern food distribution is not saturated by 79 per cent. Furthermore, the country is ranked fourth among African countries in terms of opportunities for the growth of modern food distribution after Rwanda, Nigeria and Namibia. In general, Tanzania's modern food retail is spearheaded by indigenous retail firms such as Panone Supermarket, TSN, Shrijee Supermarket, Shoppers' Plaza, and Village Supermarkets.

Table 3.1: Contribution of the trade and repair sectors to Tanzania's economy (in %)

<i>Year</i>	<i>Trade and repair</i>	<i>Annual growth</i>	<i>Services sector contribution to GDP</i>
2000	12.8	4.3	45.3
2001	13.0	6.4	45.5
2002	12.4	8.3	44.2
2003	12.0	9.7	42.7
2004	11.4	5.8	42.0
2005	11.0	6.7	42.5
2006	11.4	9.5	43.3
2007	11.5	9.8	43.3
2008	11.6	10.0	43.8
2009	11.8	7.5	43.6
2010	12.1	8.2	43.9
2011	12.2	7.9	44.0
2012	12.3	8.0	43.9
2013	12.1	8.2	44.3

Source: NBS (2011), NBS (2014).

3.3. Tanzanian Food Processing

Available evidence indicates that Tanzanian food processing is dominated by SMEs, which represent 97 per cent of food processing activity (AfDB, 2014). Furthermore, the country's food processing industry is faced with a number of challenges, including: low-level technology, inadequate raw materials, high operation costs, distribution bottlenecks, insufficient working capital (Kim, 1986; MIT, 2012; Dinh *et al.*, 2013; Wangwe *et al.*, 2014; AfDB, 2014; Tisimia, 2014). These obstacles probably influenced retailers to stock 80 per cent of consumer goods in the form of imported products (A.T.Kearney, 2014). Snyder *et al.*, (2015) presented contradictory findings based on a survey in Dar es Salaam that found that 67 per cent of food products offered in modern retail food distribution are made in Tanzania. This finding needs to be accepted with caution, however, because it is based on cereals, such as rice and maize flour, which represent a very small portion of modern retail food items.

Food processing, which is characterised by a value addition of maize flour, oil seeds pressing, fish processing, confectionery, dairy products and spices are emerging in the country. In general, food manufacturing comprises 50 per cent of Tanzania's manufacturing sector. This industry is reported to have slow growth despite the country's competitive advantage (AfDB, 2014). This growth was associated with urbanisation and an increase in the demand for food. Food processing, which is characterised by the value addition of maize flour, oil seeds pressing, fish processing, confectionery, dairy products and spices, is emerging in the country.

Previous studies have also suggested that the food business in Tanzania is characterised by unethical practices such as adulterations, weight reduction and misinformation (Bjerkas and Kagirwa, 1994; Kabissa, 2014). To minimise the negative impact on the community, different institutions regulate food production in the country. These institutions can be divided into the local government and the ministerial level. At the local government level, food suppliers have to comply with the set food standards on the maintenance and handling of food products. For example, for any meat products to be transported in Tanzania, suppliers must have a permit issued by the local authority. This permit allows meat to move from one district to another district. At the ministerial level, that same product must be authorised by the Tanzania Food and Drugs Authority (TFDA). For meat products, another level of certificate is required for food processors, as issued by the Tanzania Meat Board. Studies show that, due to bureaucracy some local food processors in Tanzania avoid approaching these institutions despite knowing their importance (Mnenwa and Maliti, 2009). Another study conducted in Tanzania by Mtengwa (2014) found that a perceived lack of fairness in the legal system harms the country's image to foreign investors. This suggests, that in some cases, even an explicit agreement would likely fail to be enforced between parties.

Packaged food is regulated from labelling to distribution. For example, TBS has to analyse food quality to determine whether it meets the set standards. Tanzania Food, Drugs and Cosmetics (food labelling) regulations, established in 2006, requires labels for any packaged food approved by TFDA before going out for mass production. Therefore, noncompliance with this regulation would result in a penalty to the firm or in a complete stoppage in food production. Kirway and Daffi (2010) show that indigenous entrepreneurs in Tanzania, constrained by the heavy burden of cost compliance, are motivated to try to dodge some of the agencies.

Table 3.2: Contribution of the manufacturing sector in Tanzania's economy (in %)

<i>Year</i>	<i>Manufacturing</i>	<i>Annual growth</i>	<i>Sector contribution to GDP</i>
2000	8.8	4.8	17.9
2001	8.4	5.0	18.0
2002	8.3	7.5	19.6
2003	8.3	9.0	21.0
2004	8.1	9.4	20.8
2005	7.9	9.6	20.8
2006	7.8	8.5	20.8
2007	7.8	8.7	21.2
2008	7.8	9.9	21.0
2009	8.6	8.0	22.0
2010	9.0	7.9	22.4
2011	9.3	7.8	22.7
2012	8.4	8.2	22.1
2013	8.5	7.7	22.2

Source: NBS (2011); NBS (2014).

3.5. Integrating local food suppliers in modern food distribution in Tanzania

I argued earlier that local food suppliers are marginalised in Tanzania. For example, A.T.Kearney's report (2014) shows that modern food stores in Tanzania are flooded with up to 80 per cent of imported products. One possible reason for this high level of imported products is that the performance of the manufacturing sector in Tanzania is weak, as indicated in Table 3.3. Moshi (2014) argues that in order for manufacturing in Africa to grow, the key stakeholders' private sector, government institutions and markets actors (suppliers and consumers) must be integrated.

The objective of this PhD project is to investigate the integration of local food suppliers in modern food distribution in Tanzania, with a focus on the relationships between three major actors: retailers, local food suppliers and institutions. Building on the empirical evidence presented above, I intend to discuss some of the theories that can help us understand the processes of integrating local suppliers into the Tanzanian food value chain. This is done in the next chapter (Chapter 4).

3.6: Summary

This chapter noted that in developing economies, including Tanzania, modern food distribution is rapidly rising. This was considered to be an opportunity for local food suppliers to capture those new food distribution channels. However, the present chapter shows that local food suppliers in Tanzania have been marginalised. Furthermore, indigenous entrepreneurs engaged in food processing in Tanzania are faced with a number of challenges that are presumed to limit their capacity to benefit from rising level of urban modern food distribution. The chapter posited that, in order for local food suppliers to be integrated in new food distribution in Tanzania, external value chain actors have to do more to build and support supplier-retailer relationships.

Chapter 4: Theoretical Platform of the Study

4.0: Introduction

Chapter 1 drew attention to the increased modernisation of African food distribution systems and provided an overview of what previous scholars have identified as factors that influence retailers' choice of food suppliers in some developing countries. It also drew attention to the limited empirical investigations into these factors in the African context. This has provided a justification for my problem statement; namely, an empirical enquiry into the processes of food retail sector development in Tanzania and the processes by which local food producers can be more firmly integrated into the food value chain. I have presented the specific research questions as follows:

1. What are the keys factors driving development within modern food retail sectors in Tanzania?
2. What factors influence the participation of local food suppliers in the sector?
3. What policies and strategies can be adopted to increase local food suppliers' participation in the sectors?

In order to investigate these questions scientifically, I have searched through the available literature for a set of theories upon which the study can be appropriately anchored. My final choice has settled upon network theory and its associated theories – e.g., value chain and relationship theories). This chapter provides a discussion of this search process and the justification of my choice of network theory. It also provides a description of the conceptual and analytical framework for the study.

I have organised the discussions in the chapter as follows. I briefly present the theories that I have examined and discuss their relevance, as well as limitations in helping me addresses the research questions. Then, I present the conceptual and analytic framework for my study based on the theoretical discussions.

4.1: Initial Search for Relevant Theories

I initially explored these various theories to determine their appropriateness for the study:

1. The wheel of retailing
2. Resources based view
3. Relationship theory
4. Global production network
5. Diffusion of innovation theory

The wheel of retailing theory explains the evolution of modern retail sequentially, starting with rudimentary technology. This theory assumes the presence of low-income consumers with an interest in buying from priced stores. According to Hollander (1960), the theory holds that new types of retail frequently start with crude facilities, little prestige and a reputation for cutting prices and margins. As they mature, they often acquire more expensive buildings, provide more elaborate services, impose higher margins and become vulnerable to new competition. The theory also suggests that low-price margin retailers will emerge as new competitors to the existing retailers as demand increases. The theory therefore focuses on price as the means of competitions among retailers. Initially, I considered this theory to be useful, since it could help me understand the evolution of food retail in Tanzania before the emergence of modern retailers. But an exploratory study I conducted combined with reading the few existing studies on food retail in Sub-Saharan Africa suggested that price has not been a key determining factor in emergence of modern retail on the sub-continent. I therefore decided against using this theory as a platform for the investigation.

The second theory I considered was the *resources based view* (RBV). This theory argues that a firm's resources enable them to formulate and implement strategies that help them achieve a competitive advantage (Wernerfelt, 1984; Barney, 1991). The theory has been used at different levels, from farming to retail since its inception (see Schiefer and Hartman, 2008). Building on the understanding that resources are important in shaping competition, I considered using aspects of the resources based view to gain insight into the types of resources that food suppliers need in order to enhance their inclusion in the modern food retail chain, the availability of these resources and how they can be leveraged. However, in my assessment, resources-leveraging strategies in and of themselves are inadequate to understand the issues that I seek to address in the study. For example, what factors determine inclusion and exclusion, and how can relationships between food suppliers and retailers be maintained on a sustained basis?

The awareness of the importance of relationships to the study led me to consider theories - i.e., marketing relationship theory (Dwyer *et al.*, 1987; Hunt and Morgan, 1994a; Morgan and Hunt, 1994b;) and business network theory (Stern and Reve, 1980; Anderson, *et al.*, 1994; Möller and Halinen 2000; Grönroos, 1994a, 1994b; Mattsson 1997) - describing relationships between buyers and suppliers and emphasising joint actions and flexibility among partners in achieving mutual goals. The literature on supply chains and marketing channels shows that suppliers don't trust retailers. Similarly retailers don't trust information provided by suppliers (Elg, 2008) because the information they provided is biased. In such situations, external agencies have to influence partners in the value chain to come together. Thus, according to Mohr and Spekman (1994) and Sørensen (2011) managing collaborations in buyer-supplier relationships requires mechanisms that safeguard the interest of partners and, at the same time, coordinate their transactions. My reading of the literature gives me the impression that the debate on the appropriate mechanisms remains unsettled. There are also few guidelines on how these safeguards can be guaranteed in developing country contexts. I have therefore decided not to rely entirely on this theory I reasoned that its limitations may be compensated for by other theories.

Initially, the Global Production Network (GPN) theory looked more promising than previous theories. Sturgeon (2001) defined the GPN as a set of inter-firm relationships that bind a group of firms into a larger economic unit. GPN explains the unevenness of the spatiality of production and consumption, the differentiating role of structural and institutional conditions at various scales and responses and strategies of firms, organisations and government bodies in shaping the global economy (Hess and Yeung, 2006). With the increase in retailers' power and their ability to source food from different parts of the world, issues of power and trust among actors in the value chain emerged as strong. Furthermore, advancements in information technology and transportation facilities gave power to retailers, because they can source food in bulk and sell at a low price due to economies of scale. Technology gave more power to consumers because they become more aware of the impact of the products they consume to the environment and to producers. This means that, in order for retailers to survive, they have to understand how they can create value for consumers and develop strong relationships with suppliers in meeting consumer demand. The GPN theory helps in understanding how firms can be integrated into a structure that shapes traditional organisational boundaries through the development of diverse forms of equity and non-equity relationships. It also helps explain the processes of integrating a national economy in ways that have enormous implications for the well-being of citizens (Henderson *et al.*, 2002).

This theory has hitherto been adopted to explain the development of retailing in developed countries and a few high-Asian countries. This makes me rather hesitant to adopt it as an overarching theoretical framework. For example, I am not fully certain about how it can help me in understanding how local suppliers establish relationships with retailers or how external pressures shape the activities of international retailers operating in Tanzania.

4.2: Network Theory as a Theoretical Anchor for the Study

My initial reading gave me the idea that factors such as resources, relationships, trust and commitments would be important in understanding the processes of food retail sector development in Tanzania and the integration of local food producers' into the food value chain. I therefore incorporated these ideas in my continued search for an appropriate theory. This brought me to the network theory. The first papers I read encouraged me to do a more comprehensive search of published works on network theory.

4.2.1: An Overview of Network Theory

There are two streams of research under network theory: the structural and social relationship streams of study (Henning *et al.*, 2012; Parkhe *et al.*, 2006; Nahapiet and Ghoshal, 1998; Jones *et al.*, 1997; Wietz and Jap, 1995). The structural network stream of research has been significantly influenced by scholars organised under the International Marketing Purchasing Group (IMP).

The theoretical thinking advance by the IMP group is based on three constructs: actors, activities and resources. This version of network theory shares with transaction cost economics the awareness that companies are resource-dependent in the fulfillment of their underlying objectives (Williamson, 1985). But while transaction cost economics doubts the ability of companies to secure the needed resources in a cost-efficient way through collaboration, this assumption lies at the centre of the network approach. The second perspective of network theory tries to model the social structure in a given environment by using measuring elements such as centrality, equivalence and power in an attempt to understand its impact on social action (McLoughlin and Horan, 2002). Wellman (1988) and Cook (1977) were regarded as the first to use the approach. Other groups of scholars used a similar approach, with more focus on network embeddedness. These were Granovetter (1985)

and Uzzi (1997), as well as McLoughlin and Horan (2002). I review these perspectives in this section of the chapter.

Actors are defined in structural network theory as those who perform activities and/or control resources (Möller and Halinen, 1999). They can be individuals or group of people, a division within a company or a group of companies constituting a coalition. Thus, in a network there are often actors at different organisational levels. Each actor can be described in three dimensions:

- Activities that the actor performs or controls,
- Resources that the actor controls and
- The knowledge that the actor has about activities, resources and other actors in the network.

Activities are seen as being influenced by actors in networks and are based on interactions. However, for activities to create value for actors, and understanding of partners' needs is important, and this requires specific investments. The specific investments make switching between partners difficult (Wathne and Heide, 2004). The theory also holds that participants in a network engage in *networking* by performing transformational and transactional activities. Transformational activities are those activities required within a company to add value to existing resources, e.g., through production processes while transactional activities take place through exchanges. It is also argued that series of activities within a network may come together to form a chain of transactions or may be loosely connected. To engage in these activities, network participants need resources. These may be grouped into three broad categories: financial, technological and human (including skills, knowledge and social ties). The combination of resources in a transformational process may produce efficiency and new knowledge. Activities and resources are therefore functionally interdependent. In this sense, the structural network perspective on resources is similar to that presented by scholars adopting the resource-based perspective. Just as activities and resources can be divided into transformation and transaction resources, and they are mutually dependent.

Proponents of the theory maintain that what are important in a network are actors and not resources as such. This notion reflects the argument advanced by Sheth and Sharma (1997) that, in value chains, it is suppliers that create value and not resources in and of themselves. Furthermore, for them to create value, they must have access to technology, information and other intangible resources.

A company's gain from a network relationship will depend on the power and knowledge structure of the network and the participant's position within this structure. Interactions with other network participants provide each participant with an opportunity to revise and redefine its needs. This is referred to in the literature as the *interactive affect*. It is also argued that the governance of networks does not emerge from contractual control, but rather through mutual interactions and long-term relationships.

In sum, for network scholars, all businesses require network orientation in order to be successful. Having this orientation encourages companies to identify the roles, strengths and resource configurations of other actors within the network. This helps them position themselves within the network. By positioning themselves within the network of relationships, companies are able to design strategies that improve their access to resources controlled by other companies. The higher the number of contacts, the better for the company, as this means access to more networks and resources.

4.2.2: Governance, Trust, Commitment and Network

One of the major challenges in the value chain is opportunistic behaviour. To minimise opportunistic behaviour among actors in the value chain, governance was considered to be very important. The idea of governance in the value chain was developed from transaction cost economic theory; through it, actors to control activities of weak actors in the chain. The interdependence among actors controlled through vertical integration with lead firms stipulates directions that have to be fulfilled by weak actors.

Studies in channel marketing suggest that three kinds of channel governance do exist. However, these types have been given different names by scholars. For example, Wathne and Heide (2004) name these three types authoritative, contractual and normative. Ouchi (1980) named them hierarchical, market and clan, which seems to be similar with authoritative, contractual and normative, respectively. For the purpose of the current study, I will use Wathne and Heide's classification.

Authoritative control refers to the ability of leading firms to control and direct policies that govern business among actors in the network. In general authoritative control is associated with the power or position a firm maintains in the network. However, how firms derive power in the network is

seen from a different perspective. First, power in a network comes from an actor's position in the network structure (centrality), while in governance; it comes from a hierarchical position (Rowley, 1997).

To implement their policies, firms agree on a number of issues through contracts and through them, firms may exercise power, which is based more on individual attributes. However, the desire to continue with the relationship can be influenced by the level of interdependence between the actors (Hibbard *et al.*, 2001). This also depends on how much the lead firms have invested in the weaker firms or how much the weaker firms depend on the lead firms. For example, if a supplier invests in specific technology for the production of a particular product that is demanded by only specific buyers, then getting out of that relationship becomes more difficult due to the asset specificity of the investments. In the food business, authorities can be seen in the distribution of ethical foods, whereby vertical integration is practiced. Downstream actors may agree on a number of issues, such as the use of pesticides and good agronomic practices. In return, the lead firms may provide support in training and finance, as well as extension services and a supply of seeds. Therefore, authoritative control is designed by the lead firms to minimise opportunistic behaviour, which is commonly performed by the upstream actors.

The focus of *contractual control* is on implicit and explicit agreements among the actors. This contractual agreement can stipulate issues related to rewards and responsibilities of parties in the chain. Despite its importance in food distribution, contracts seem to be hard to enforce in developing economies. For example, study conducted in African countries by Fafchamp (2001) found that, due to small transaction sizes and rampant poverty, legal institutions offered little protection against breach of contract. In a study conducted in Tanzania, Ringo (2010) found that contract enforcement was very difficult due to wrangling court delays. In general, studies conducted in Africa show that the governance of relationships through contracts is not preferred by business actors in the continent (Amoako and Lyon, 2014; Fafchamp, 2001; Ringo, 2010; Rutashobya *et al.*, 2005). That means that efficiency can be achieved by emphasising long-term relationships with other agents and sharing information with actors in the business through personal relationships.

Normative control is seen as the parameters of network governance in food distribution. In general, normative control sees network relationships as being influenced by the past experiences an individual has had throughout his or her participation in various activities. The 'normal' may be influenced by organisational culture and beliefs, which can be transferred to an individual through

informal communication. In marketing channels, this can influence an individual's reputation among other actors in the value chain.

Normative control in marketing channel network relationships can be classified in three categories: (1) *Long-term orientation norms*, which come in the form of rewards that an individual expects to, receive from a relationship network. For example, if Company A agreed to offer 10 percent as an increment of every 5,000 pieces of an item sold out of one slot of supply, then actors would expect to receive a certain profit from that relationship, and would likely hope that the relationship be long-lasting. In general, partners want to see a long-term relationship that generates a mutual profit. (2) *Fairness norms* explain how actors in the value chain make and agree on decisions that do not harm each other in the distribution of products. One example might be how actors agree on price changes. Does the decision benefit both partners and does only the stronger party benefit, while the weak one loses? (3) *Openness norms* reflect on how actors in marketing channels exchange information. Retailers receive a lot of information from ultimate consumers in the value chain. However, for this information to be widely shared among actors, the need for trust must exist among actors to support the sharing of marketing information and innovation ideas that can influence changes in the distribution, packaging and merchandising of goods. In general, openness norms influence how trust is developed and how actors exchange information.

The general understanding within the literature is that *trust* is important because it increases an organisation's access to resources and strengthens its ability to adapt to unforeseen problems in ways that are difficult to achieve through arm's-length ties (Uzzi, 1996, pp.678). Trust can be defined as the perception that actors will act for the benefit of another party in the value chain in good faith. In general, trust can be seen in economic and non-economic terms. Non-economic activities that can influence trust are personal relationships and position within the network structure. Position within the network structure is focused on the number of contacts that would determine the size and density of the network (Burt, 2000). That means the number of contacts may influence sales growth and that the number of ties an individual has can influence density. Furthermore, trust can be influenced by personal relationships, which would be counted as social ties. Family friends, schoolmates and kinship ties can all enable an entrepreneur to access certain networks.

For example, in agrifood, a buyer can trust the quality of the food due to certification indications on the label. That is, the buyer can establish trust based on the presence of a government certificate.

Asset specificity is not a strong predictor of the level of contract formalisation for a transaction that enjoys high level of trust. It is argued that previous studies paid less attention to the non-economics factors embodied in trust that explain the governance of exchange relationships (Fernández-Olmos, 2011).

Another important concept found in the social network and relationship marketing literature is *commitment* (borrowed from social exchange theory). Morgan and Hunt (1994b) defined commitment as exchanges of partners who believe that an ongoing relationship with one another is important enough to warrant maximum effort to maintain it. That is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely (p. 23). In general, commitment distinguishes social exchange from economic exchange, and actors come together with the desire that other partners fulfill their promises. Sheth and Sharma (1997) argue that, in supply chain management, it is well documented that suppliers are not committed to buyers, but less is known from the perspective of buyers (retailers) in relation to their commitment to suppliers. Due to a large number of suppliers and the increasing power of retail chains, it is likely that retailers are not committed to certain suppliers.

For example, distribution commitment can be seen in the distribution of goods on time and are of the same quality, and in there being no delay of payment. Furthermore, committed partners can support each other financially, technologically and in acquiring certain managerial skills. Empirical evidence shows that retailers in developed economies are committed to supporting marginalised suppliers from developing countries through good agronomics activities and providing financial support to meet some food standards.

Morgan and Hunt (1994b) argue that, in order for actors to be committed in a certain network, the reward has to be more than the alternative marketing channels. For instance, in Tanzania, to be assured with supplies from local suppliers, one has to treat actors with respect compared with the open market. Empirical evidence from developing economies suggests that payment delay between suppliers and retailers may hinder this relationship. Retailers also claimed that they receive low quality and unreliable products from domestic suppliers.

4.3: Retail-Supplier Relationship Marketing Approach

Turning specifically to marketing activities, it is important to note that network theory sees marketing in terms of the coordination of exchange activities involving direct and indirect partners, with a view to mobilising and coordinating critical resources through a relationship with them (Möller and Halinen, 2000; Gummesson, 2002). In terms of food marketing, this approach has been used to study the management of relationships between suppliers and retailers in UK food value chains (Hingley et al., 2006; Hingley, 2005; Wycherley, 2002; White 2000). Most previous studies, however, were based on a dyadic approach, and most of these studies were conducted in America, and Europe. There have been some studies during the past decade on buyer-seller relationship in developing economies, following the internationalisation of retail (see Elg *et al.*, 2008; Ghauri *et al.*, 2008).

As noted earlier, the food business in most developing countries is generally characterised by opportunistic behaviours such as overpricing, false claims and malpractice. These tendencies have been found in studies of the Tanzanian food business, as well environments such as cheating, overpricing and adulteration (Bjerkas and Kagirwa, 1994; Gibbon, 1997; Kurwijila *et al.*, 2005; Kabissa, 2014). I also argued earlier that food policies are very fragile in developing economies, and that local food suppliers are not well developed enough to meet market demand. In addition to this, enforcement of the contracts is almost negligible in many developing economies. These challenges complicate supplier-retailer relationships. Under such conditions, I find Möller and Halinen (2000) and Grönroos' (1994) assessments of network approaches to studying complex relationships in business highly useful. They argue that the network-based retail marketing theory is most appropriate for understanding the complex relationships that characterise retail in developing countries due to the presence of a wide variety of direct and indirect actors in the relationships. This argument has encouraged my decision to explore the relevance of the network approach to the present study.

Network theory provides insights into the dynamics of retailer-supplier interactions. Studies of retailer-supplier relationships in developed countries reveal reciprocal support. For example, available empirical evidence shows that some European retailers invest in their relationships with food suppliers from developing economies (Skellarud and Grønhaug, 2010). Forms of marketing support could be locating merchandising officers as advisors and providing financial support to cover promotion costs. Furthermore, studies show that retailers' support to small-scale suppliers of

fresh vegetables has been important in enhancing their supply to modern food retailers (Andersson *et al.*, 2015; Bloom, 2015). Retailers may also support local food suppliers in meeting set standards and in improving the value chain through training and managerial skills.

During the last decade, studies on retail networking have included external factors such as socio-political influence (Ghauri *et al.*, 2001; Elg *et al.*, 2008). In countries such as Tanzania, the role of institutions and political systems is critical to every aspect of business. In this regard, it is very important to look at the impact of economic and political factors on the formation of relationships, because every organisation has to behave in a similar way based on the surrounding environment (Ulf *et al.*, 2008; Hadjikhani and Ghauri, 2001; Hadjikhani *et al.*, 2008). In this regard, the current study extends network theory to include the role of external actors which in establishment of business relationship in Tanzania. An area in which the role of institutions is highly visible in developing countries is legal certification, which is frequently used as an indication of product quality. These certifications may come in the form of business licenses, standards certificates or health issues compliance certificates. Digal (2015) found that food safety certification is one of the important criteria for suppliers to access modern food retail.

4.3.1: Innovation, Upgrading and Relationships in the Food Retail Sector

Diffusion of Innovation (DOI) theory suggests that the social system plays a major role in enabling individuals to absorb new ideas (Rogers, 1971/1976). For example, whether or not an individual can be an innovator depends on the training, laws and policies in a particular country. Similarly, the network and value chain theories suggest that human interactions are significant in identifying innovative opportunities and to the success or failure of innovative efforts. Building on these understandings, Srivastava *et al.*, (2001) suggested that the crucial question in marketing is how actors in the supply chain create breakthrough customer solutions. A solution to this challenge is to encourage inter-firm relationships among actors within the supply chain. This allows information to be shared between actors. DOI theory sees this occurring as a result of interactions between people with similar interests – i.e., a network.

As indicated earlier, I share the understanding that trust is very important among actors in the food value chain. For instance, in food marketing, consumers are buying food based on credence attributes such as organic food, which cannot easily be identified. In this kind of situation the presence of a trustworthy member who is not exploiting the ignorance of other partner is very

important among the actors in the value chain. I lean on Geyskens *et al.*, (1998), as well as Das and Teng (1998), to see trust as the extent to which a firm believes its exchange partner is honest and/or benevolent.

4.3.2: Communication and Information Sharing within a Network

I have also argued that external agencies (e.g., government institutions and NGOS) can influence partners in the value chain to come together. Scholars such as Granovetter (1985), Jarillo (1988) and Gulati (1998) argue that economic growth occurs when the business environment creates a positive climate for firms to be involved in networks of social, professional and exchange relationships with other firms and people. Emerging economies are, however, characterised by a lack of institutional support and enforcement of laws and it takes a long time for decisions to be made in courts of the law. Furthermore, contract enforcement is very low in these countries due to legal wrangling and administration costs (Ringo, 2010; Fafchamp, 1996). This has encouraged practices in which suppliers tend to do business without formal contracts. Trust is once again important in these interactions. A lack of trust will lead to free-riding, hold-ups and leakages, which in turn lead to a less satisfactory supply chain performance, or even supply chain defection (McCarter and Northcraft, 2007).

I have already hinted at the importance of information sharing for innovation and overall performance of the value chain. Let me explain this in greater detail. Network relationship theory acknowledges that sharing information among actors in the supply chain is very important for the creation of product attributes. In general, both network theory and the resource-based view theory explain the differences in the performance of firms in terms of the kind of information they receive from their networks. Similarly, DOI theory recognises the importance of communication for the spread of ideas. Communication is also very important for the actors in the food value chain. Retailers are arguably gatekeepers with a lot of information from consumers.

Previous empirical studies have also shown that the quality of information shared among partners in supply chains is very important for investigating the possibility of integrating suppliers (Claro and Claro, 2010). It has been noted in these studies that suppliers usually receive information from both upstream and downstream sources, but Fournier and Mick (1999) argue that the downstream ties are located close to the consumers end and can accurately communicate consumers' demands. For suppliers to have access to that downstream information, a good relationship must exist between

retailers and suppliers. The idea is that once suppliers have adopted a relationship with downstream members of the value chain, they can very quickly adapt their production processes to improve the product mix and packaging and distribution systems based on the information passed on to them. Salansick (1995) suggested that it was important to identify sources of information, which could be wholesalers, retailers or input suppliers. This understanding have encouraged me to examine the types of information that flow to local food suppliers in Tanzania from retailers.

While access to information is, in general, very important for mutual collaboration among partners in the value chain, quality of information is also very important. The question is whether suppliers consider the information they get from their partners to be reliable. This, again, raises the issue of trust. It has been suggested that the institutional environment has a role to play in ensuring the delivery of reliable information – e.g., by supporting actors who are new to each other in establishing trust and strong relationships. This can be done through laws, regulations and policies. This is what the triad relationship describes.

4.4: Previous Studies on Network Relationships in Tanzania

Previous studies of relationships in Tanzania have relied on the social network approach. For example, Rutashobya *et al.*, (2005) researched the formation of relationships between small-scale firms in the shipping industry in Tanzania. Rutashobya *et al.*, (2009) used social networks to study effects of relationship on women SMEs access to finance. Another study by Mbura (2015) studied the impact of social capital on the arcquisition of information for manufacturing firms. In general, these studies found that social relationships have agreat influence on Tanzanian business operations as the means to access resources from SMEs.

A study on relationship formation by Chao (2014) sought to compare contractual arrangements in the manufacturing sectors of Tanzania and Poland. The study found that trust decreases the level of contractual completeness in Tanzania. Furthermore, this study drew on transaction cost economic theory as proposed by Williamson (1985) to understand contractual relationships in the country. Another study by Chao and Kato (2014) studied buyer-supplier relationships in Tanzani, with a focus on post-contractual specifictionas part of the formation of relationships in the case of manufacturing firms. The study found that trust is a very important attributes of the buyer-supplier relationship. However, the study relied on only one side of relationship; that is, buyers.

Other studies that used a network approach in Tanzania focused on upstream activities and the impact of good relationships within the group for the benefit of the group. For example, by using social network theory, Barham and Chitemi (2009) found that intra-group trust had not influenced linking farmers' groups with the markets in Tanzania. Another study showed that there was a high level of trust between potato and tomato farmers in Iringa, Tanzania, and wholesalers in Dar es Salaam, despite the fact that wholesalers were perceived to exploit farmers (Molony, 2008). Furthermore, study shows that farmers seem to prefer relationships with wholesalers because they give them credit for farm input, which in turn makes them loyal to them.

Another stream of research in Tanzania focused on the impact of network social capital on the performance of indigenous firms. For example, Tundui and Tundui (2013) found that women who accessed support and business advice from informal networks were likely to improve their performance. In a study on the effect of sub-culture in the wood business in Tanga, Jenssen and Kristiansen (2004) found that Asia-Tanzanians have more skills in developing social networks to be used in the acquisition of various skills that enable them to access capital. Egbert (1998) found that religious networks have an impact on indigenous entrepreneurs from minority groups in Tanzania to access loans and run their businesses successfully. In a comparative study between Tanzania and Indonesia, Øyhus (2003) found that entrepreneurs exploited social network relationships such as friends, family members and colleagues during business startups. Another study conducted in the garment business in Tanzania showed that the lack of social capital limited the growth of small-scale tailors in the country (Kristiansen and Mbwambo, 2003).

The present study will draw on insights gained from these previous studies. There are, however, obvious knowledge gaps that remain to be filled. For example, it is common knowledge that the food business in Tanzania is characterised by trade credit. According to Fafchamps (1997), trade credit is not guaranteed by any formal collateral, but is based on trust and reputations. In spite of this long-term practice in the African and Tanzania food business, there is lack of understanding regarding how firms establish their non-contractual relationships. Previous studies were focused on criteria used by manufacturers in the selection of recipients (Fafchamps, 1997; Kihanga, 2010; Hermes *et al.*, 2012). These studies were based on upstream actors, and the role of downstream actors in the establishment of relationships was not given adequate attention.

Another area that has not received adequate attention is how the involvement of external institutions (e.g., food regulators) impacts retailer-supplier relationships. Dwyer *et al.*, (1987) argue that the

triad relationship in buyer-seller relationships was marginalised in marketing, and it is very important to understand their role in relationship formation. There is also a lack of knowledge about how actors governed their relationships in the Tanzanian business environment, and more specifically, how retailer-supplier relationships governed in the developing economies, and particularly in Tanzania.

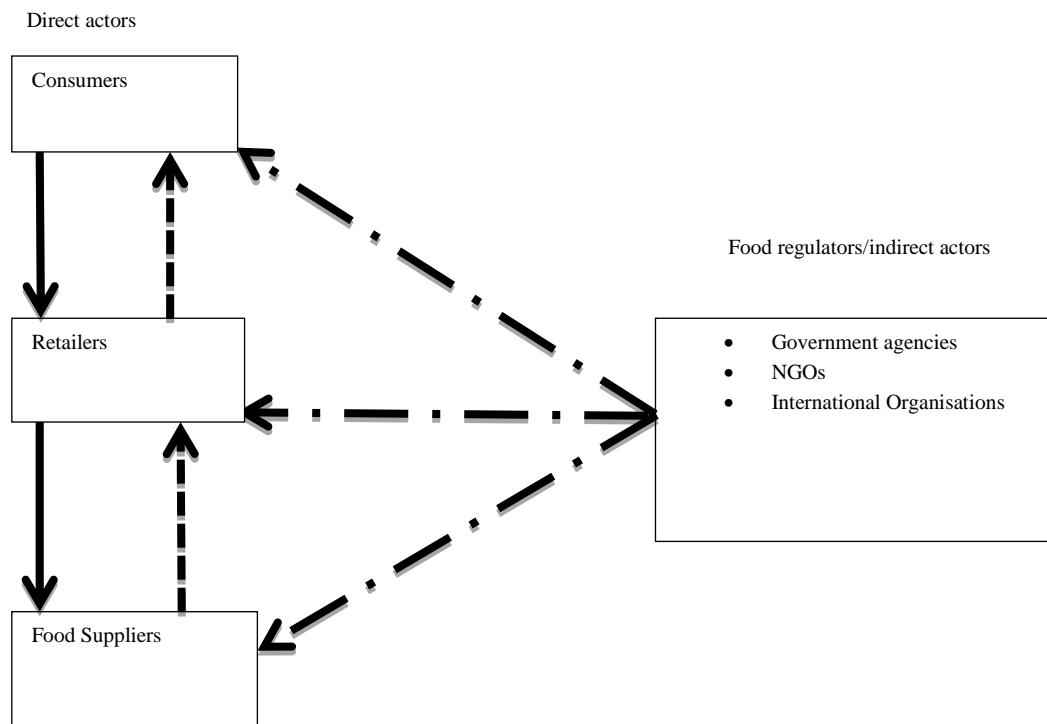
4.5: The Conceptual and Analytical Model for the Present Study

I have drawn mainly on network theory (the structural and social perspectives) in order to establish a theoretical platform for my empirical investigations in Tanzania into the emergence of modern food retail and the integration of local food suppliers into the food value chain. As noted above, earlier versions of the network theory (e.g., the IMP version) seem to deny the possibility of external influence in shaping networks. Some scholars have considered this a weakness, since some business relationships require actors to interact within and outside the network (Golfeto *et al.*, 2007; Anderson *et al.*, 1994). Others have also indicated that the upgrading processes that are considered important in building the production and marketing capacities of small firms in developing countries have not been given as much attention in the earlier versions of network theory as in other theories, such as the global value chain, global production networks and the diffusion of innovation theories (see Ernst and Kim, 2002; Bolwig *et al.*, 2010). Since I consider these issues to be important in understanding the food retail system in Tanzania, I have decided to extend network theory to include these additional theoretical perspectives.

I have classified the theories that guide my empirical investigations into (a) main theory and (b) supporting theories. As noted, the main theory is network theory (with its structural and social varieties). The supporting theories are diffusion innovation (DOI) theory, and value chain theory. I have leaned on the interpretations of these theories in the relationship marketing literature. Thus, the conceptual model I propose is guided by a network relationship approach as proposed by Morgan and Hunt (1994b). I have also borrowed from Stern and Reve (1980), who drew attention to the importance of political influence on the network channel relational studies. I have argued that it is important to understand the role of other actors, such as food suppliers and food regulators, in emerging food retail systems in developing economies – including Tanzania. I describe the model as a triadic framework composed of direct actors (consumers, retailers, suppliers) and indirect (or supporting) actors (i.e., institutions). Figure 4.1 provides an overview of this thinking. The

components of the model are described in detail in this section of the chapter. The model borrowed from the relationship theory as proposed by Morgan and Hunt (1997/1995/1994) that include the influence of external factors. However, the proposed concept would be extended by including the attributes of governance. I argued above that governance mechanisms are very important due to the context of Tanzanian business being characterised by opportunistic behaviour among the actors of the food value chain.

Figure 4-1: A Triadic Relational Network of Direct and Indirect Actors in a Triad Supply Chain



4.5.1: Levels of Analysis

Previous studies of food marketing in Africa have shown an expansion of complexity that is difficult to capture within a single theoretical framework. For example, Neven *et al.*, (2006) found that consumers in Kenya have been migrating to modern retail establishments. Similarly, Reardon *et al.*, (2004) found retailers in Kenya extending their outreach – i.e., expanding to small towns outside the commercial cities. Battersby *et al.*, (2015) have observed the same trend in South Africa by. These aspects of the development of the food sector may be captured by network theory. Building on understanding propagated by network theory, I will argue that the integration of local

suppliers within the emerging food business sector in Tanzania will depend partly on other firm-level factors, such as resources, investment capabilities, the adoption of sound business models and innovation. Thus, firm-level analysis and interim relational perspectives are important to the present study. The theoretical discussions also suggest, however, that I adopt multiple levels of analysis. The emerging view from the previous studies is that the food business is complex and that there are a number of direct and direct actors that influence the marketing system at a macro, meso, and micro level. It has been argued that a firm's influence on macro-level decisions is almost negligible, but decisions taken at this level affect performance.

Key external actors in the analysis of marketing systems in developing countries are institutions – i.e., state agencies that provide guidelines regarding what businesses within the food sector should or should not do. It has therefore been argued that firms' priorities and strategies are the result of state policy and the legal framework (Zysman, 1983; Hutton, 1995; Whitley, 1999). An example of this influence was that Fiji's garment exports to Australia were dropped by Australian buyers after a coup d'état in Fiji (Weller, 2006). Another good example was the embargo on South African retailers during the apartheid regime by the African Community, then the Organisation of African Unity (OAU). Along the same lines, Hess (2004) and Henderson *et al.*, (2002) argue that a firm's operational capabilities depend to a large extent on the societal embeddedness of the actors involved; that is, on their background and historical development in a particular institutional context. For example, for any supply chain project to be successful in South Africa, it must pay attention to sustainable socio-economic development and to 'black empowerment' (Bek *et al.*, 2013).

Along these lines, scholars of global production networks argue that the macro context is also important to the development of networks of relationships – i.e., that external actors have roles to play in the development of inter-firm linkages. As Dicken *et al.*, (2001) argue, while networks are embedded within territories, territories are, at the same time, embedded into networks. Therefore, understanding how firms' established networks influenced other actors outside the network is very important for investigating the impact of operations on the host country's economy. I therefore consider an understanding of the role played by state institutions in the food marketing system in Tanzania to be critical to my study.

Another useful level of analysis to be considered is to the local environment, broadly considered. In this regard it must be noted that modern food retail is a new phenomenon that is rapidly growing in

Africa. Thus, although the local suppliers may be new to the international retailers operating in Africa, their knowledge and experience within their home markets must not be ignored if the retailers are to minimise their liabilities as foreigners. That is, the local suppliers may serve as useful bridges between retailers and other actors within the local environment. These considerations have convinced me that a meaningful analysis of the linkages of local producers into the Tanzanian food value chain requires a triadic rather than a dyadic framework (Galaskiewicz, 2008).

4.5.2: Director Actors in the Network Relationship

Domestic Consumers

Consumers have major roles to play in linking local suppliers to distributors in the food value chain. Their roles include the following: (1) their willingness to pay, (2) their acceptance of (or demand for) locally made food items (i.e., made in Tanzania). Although retailers also have the power to decide what to stock, it is fair to say that consumer has the last say by deciding whether or not to buy what is stocked. Figure 4.1 shows that there is a dash line connecting from retailers to consumers. The line from consumers indicates that retailers and suppliers depend on information gathered about consumer demand. Despite their importance, the present study will not focus on the final consumers.

Modern Food Retailers

As stated above, retailers have the power to decide what to stock, and when and from whom to do so. In that sense, they act as gatekeepers with respect to the inclusion or exclusion of local suppliers from the value chain. As noted earlier, however, retailers may support local suppliers by providing them with relevant market knowledge. It is plausible that local food suppliers may be constrained in their efforts to participate in modern food distribution by the limited demand for the products they produce without being aware of this constraint. Such information may have to be passed on to them by retailers (or perhaps by some other external actors – e.g., NGOs that have entrepreneurship development as a goal). But whether or not this kind of information gets to the suppliers will depend on the nature of their relationships with their retailers.

I have argued in the previous chapters that the supplier-retailer relationship is motivated by trust and commitment among actors. That means that understanding how and why retailers establish relationships with the local suppliers is very important to the present study. There are a number of

factors that influence trust and commitment, and these will subsequently be discussed in details. As an illustration, let me give an example of factors that may constrain trust and commitment between partners in the food value chain. It is common knowledge in Tanzania that agribusiness activities are plagued by some unethical practices such as adulterations, deliberate reduction of weight and the introduction of foreign objects into products, thereby compromising product quality. These unethical practices pose a challenge to the establishment of long-term relationships with local food suppliers in Tanzania (Ngaruko, 2014; Kurwijila *et al.*, 2005).

Local Food Suppliers

Prior to the establishment of modern retail outlets, local food suppliers have been the main drivers of the food value chain in Africa. That means that the local suppliers had the power to set the terms of trade and the prices at which food local items are sold. The rise of modern food retail and the arrival of international retail firms mean that suppliers are no longer drivers. Additionally, to this, they experience serious resource constraints. I argued in Chapter 3 that local manufacturers lack finance, and are unable to upgrade their technology. This makes it even more difficult for them to be effectively and efficiently integrated into the food value chain.

Figure 4.1 shows that indirect actors, such as the government, have a role to play in influencing the establishment of the supplier-retailer relationship. For example, food regulators can initiate training on issues of food handling and safety, and may also facilitate their access to financial resources. This will help some of the local food suppliers to increase their chances of producing high-quality food. These considerations mean that it is important for us to analyse the activities of the food agencies and other government institutions in relation to the development of the downstream value chain.

Another issue is the ability of local food suppliers to be engaged in food innovation and to upgrade their production capacities. This requires them to have the internal capacity to use market information and make use of any type of external assistance available in the country to improve their production facilities.

4.5.3: Indirect/Supporting Actors in Network Relationship

Previous studies from other developing countries on the evolution of retail have shown that the emergence of the sector depended on consumers, governments and marketers (Ho, 2005). That means that, in order for retail to emerge, government institutions must support its evolution. Thus, Figure 4.1 also shows that food regulators *food regulators or indirect actors* have a major role to play in facilitating the integration of local food suppliers into the modern food distribution system of Tanzania. As noted above, this could be through formulating inclusive policies, training and support to the absorption of food innovation. One of the challenges that food regulators face in developing economies, including in Tanzania, is the presence of opportunistic indigenous entrepreneurs. I have previously argued that some local food suppliers engage in unethical behaviours, such as food adulterations and cheating on weight and measures. That means that food regulators have to protect the public against such practices. They may do so by restraining retailers from buying food products from suppliers without authorised certificates. Given the fact that most local food suppliers are faced with financial constraints, it is likely that many of them would be marginalised due to their inability to get certificates from regulatory agencies. In this regard one would expect government agencies to provide services, such as training local food suppliers on laws governing foods handling and hygiene. With that kind of knowledge, one would expect the number of local food suppliers who qualify for authorisation to increase.

In general, institutions of a particular country may provide a favourable environment for innovation and the exchange of ideas among actors, or may constrain those ideas. Networks with food regulators see the role of government as shaping this environment through laws, policies and regulations for actors to become innovators. For example, through law enforcement and training local food processors can produce goods of good quality, which meet markets need. In the long term retailers can absorb those goods, because they are sure that they are protected by the law. Furthermore, the tendency of the retailers to trust the suppliers in the chain would be influenced by the enforcement of the law in a particular country. These two issues are well articulated in RBV and networks theory respectively. For example, one can argue that the current tendency of food retailers to import about 80 per cent of the food sold in Tanzania is the result of laws, policies and regulations. Through tax exemptions and other dissolved non-tariff barriers, retailers can import food from their home countries. I do not mean that I advocate for non-tariff barriers such as red tape in custom clearing and import permits of chicken and beef; my interest is rather to show how institutional support might have impact on the number of incidents that occur among to food

processors in Tanzania. For example, the Tax Revenue Appeals Board (TRAB) exempted Bright Choice Limited from paying Tshs. 1.9 billion import tax on imported pork, beef and poultry products from Kenya (The Citizen, 2014b).

For instance, in Tanzania, a ban was placed on the importation of chicken meat following the emergence of bird flu in 2006. This ban has protected local chicken meat suppliers from relatively cheaply priced chicken from Brazil and South Africa (The Citizen, 2014a). This is fortunate for local poultry farmers and meat processors. However, the benefit they derive from the ban depends of the availability of financial resources to expand their poultry farms and processing facilities. Because retailers buy on credit and most indigenous entrepreneurs in Tanzania and other developing economies have low levels of working capital, they may fail to benefit from this opportunity (Arnould, 2001). This means there is a need for some kind of support to domestic suppliers to improve their access to finance.

4.5: Special Requirements for Relational Success/Formation

Trust as an attribute in network theory influences relationships between retailers and local food suppliers. The assumption is that some of activities such as adulterations and cheating in weight would (Bjerkas and Kagirwa, 1994) make retailers search for alternatives sources of supplies. In that regard, the assumption is that network relationships developed through social bonds would minimise the impact of opportunistic behaviour between actors. However, empirical evidence shows that organisational buyers pay less attention to social bonds in the formation of supplier-retailer relationships (Powers and Regan, 2007). The framework show a line of double arrows connecting local food suppliers and modern retailers that suggests some activities performed by retailers may influence the formation of relationships. Put simply, trust is a reciprocal construct.

In marketing distribution channels, trust has been considered one of the most important parameters in the formation of a relationship (Morgan and Hunt, 1994b). Nevertheless, these parameters have been wrongly operationalised and conceptualised in marketing studies (Ganesan and Hess, 1997). For example, Morgan and Hunt (1994b) saw there is an overlap between the dimensions that explain commitment and trust. Ganesan and Hess (1997) argued that it is very important to see trust as existing in two dimensions: benevolence and credibility. Mitchell *et al.*, (1998) classified trust into two categories: cognitive and behavioural. Despite the differences in naming between Ganesan and Hess (1997) and Mitchell *et al.*, (1998), in explanations on how it occurs cognitive and

credibility seems to be similar. In general, trust and commitment are seen as two parameters that overlap but for the purpose of this study, the classifications provided by Ganesan and Hess (1997) will be used, which in some cases seem to be similar. Furthermore, the trust in marketing channels can be divided into three levels (1) interpersonal trust, (2) organisational trust and (3) intraorganisational trust. This study is based on those levels because, as I argued previously, in Tanzania, relationships can be stimulated in some cases by the role played by indirect actors, such as food regulators. Ganesan and Hess (1997) argued that previous studies focused on trust formation from the perspective of the supplier-retailer relationship, which exists at a higher stage, while researchers paid less attention to those at early stages of business interactions. I argued previously that modern food retail is new in Tanzania, and in that context this study will contribute to the body of knowledge on the formation of trust in developing economies with a focus on the formation of trust at an early stage of industry development.

The first dimension is *credibility*, which is based on each actor keeping promises and deals as well as partners' characteristics such as task-specific competencies, reliability in the delivery of goods and services and predictability in terms of job-related behaviours (Ganesan and Hess, 1997, pg. 440). Morgan and Hunt (1994b) argued that this prevails when actors have common views on which behaviours are accepted and which are not. This study assumes that credibility in formation of trust associated with pre-deal assessment criteria, such as reputations and images of the company, may be counted upon by the partners. In general, the credibility dimension in trust formation shows that those actors believe that, in the future, their partners' behaviour will not change, as indicated in a written or unwritten agreement. Previous variables like reputation, confidence and corporate image are associated with credibility trust (Ganesan and Hess 1997; Mitchell *et al.*, 1998). That means that, in some cases, new actors may be influenced by a company's reputation and its image.

Ganesan and Hess (1997) argued that in an uncertain environment, sometimes other factors that prevail at an interpersonal level would be important in influencing trust among actors. I argued previously that, in Tanzania, food marketing is very volatile and highly controlled by government agencies, and that, in many cases, actors are not governed by contracts. In that context interpersonal trust would likely prevail. Previous studies show that communication is very important for stimulating credibility trust among actors in the retailer-supplier relationship (Morgan and Hunt, 1995; Su *et al.*, 2009).

Benevolence trust is grounded on the qualities, intentions and characteristics attributed to the focal partners who exhibit genuine concern and care for other partners through sacrifices that go beyond purely egocentric profit motives (Rempel *et al.*, 1985). One of the reasons that would lead to decrease of trust is opportunistic behaviour. I argued before that food marketing in Tanzania is characterised by opportunistic behaviour: therefore, the establishment of relationships in some cases is not based on contracts. This suggests that there are some other techniques used by actors in the food distribution marketing in the country. Morgan and Hunt (1994) argued that when a partner believes that a partner engages in opportunistic behaviour to form relationships this would likely result in a decrease of trust among the actors. This shows that benevolence trust is the second stage in the process of establishing of retailer-supplier relationship between actors, which follows after credibility trust.

Retailer-supplier buying processes that exist on four levels and trust can also exist in four levels. **Interpersonal trust** can exist between individuals and buyers, and representatives of the supplier. Su *et al.*, (2009) argued that there was a lack of understanding of how trust is established based on interpersonal communication in the supplier-retailer relationship. Ganesan and Hess (1997) found that interpersonal credibility and organisational benevolence were crucial predictors in trust formation between retailers and suppliers. However, reseachers also called for more studies with a focus on the early stages of trust formation in uncertain business environments. **Organisational trust** can exist when retailers, buyers and suppliers have different levels that reflect the organisational beliefs of their firms. **Intraorganisational trust** can exist between a buyer and the buying organization, and between a sale professional and the suppliers' organisation (Ganesan and Hess, 1997). **Interorganisational trust** reflects the level of trust that exists between multiple individuals and at multiple hierarchical levels across the organisation (Larson, 1992).

Another important parameter in understanding this business relationship is **commitment**. The argument here is that **commitment** among actors would stimulate the formation of relationships in food distribution downstream in Tanzania. In general, commitment in supplier-retailer relationships has been studied in different ways. Some have focused attention on issues such as such as confidence in the stability of the relationships and investments in the relationships (Stanko *et al.*, 2007, p.1096). I argued previously that this study considers network relationships from a marketing perspective, with a focus on inter-firm relationships. In that regard, the assumption of Morgan and Hunt (1994) which sees commitment as a one of the dimensions that form network relationship

guides this discussions. The assumption is that none of the actors would act opportunistically in order to influence the decisions of the partner. Furthermore, some of the activities would stimulate commitment among the actors in the value chain, leading to outcomes such as timely delivery of goods. Being reliable partners would influence reputations between actors (Power and Reagan, 2007). In this context, I assume that in some situations, indirect actors' commitment to support the sector would increase participation from the local food suppliers. For example, partners can invest in new food innovation ideas but for them to gain access to the market, they need endorsement from food regulators. In this situation, commitments from food regulators can be on timely provisions of training and other services.

Literature of marketing relationships shows that commitment study has been operationalised at different levels (Kim and Frazier, 1999). This study considers commitment to exist in three different components, as proposed by Kim and Frazier (1999), which are: continuance commitment, behaviour commitment and affective commitment. These components have been used by Stanko *et al.*, (2007) in the study of building commitment in buyer-seller relationships in the US. This study also sees commitment as a means towards building a relationship. That means it is a construct of relationship theory.

Continuance commitment is the need and desire of partners in the value chain to maintain their relationships (Kim and Frazier, 1999). To see how actors show continuance of commitment among partners in the marketing channel, studies have shown that partners may support or invest in some issues. Doing so shows a desire to maintain a long-term relationship. For example, in food channel distribution, a partner might invest in training, seed distribution or transport to support downstream actors (Louw *et al.*, 2007). In making this investment, the partner does not intend to control another actor in the chain, but rather seeks to show his desire to continue to grow the relationship. Furthermore, continuance commitment in food business marketing distribution can be seen in how partners support each other to meet some of the environmental changes that cannot be controlled by firms' managers.

Behavioural commitment is defined as the extent to which a distributor provides special help to its suppliers in times of need (Kim and Frazier, 1999). In general, suppliers in developing economies face a number of challenges that need a quick response from their partners in the food value chain. For example, the seasonality of supply of raw materials may lead food processors to require assistance in finance in the form of soft loans from retailers to buy raw materials. In general,

commitment is based on each actor's psychological experience of partners' reactions during bad and good times. Empirical studies show that trustworthiness does not influence partners in their support of each other (Kim and Frazier, 1999).

Affective commitment can be defined as the feeling of higher unity and cohesion in a relationship among partners. Kumar *et al.*, (1995) noted that affective commitment is characterised by both business and personal bonds. In the case of business bonds, the literature shows that the willingness of one partner to help the other in solving challenges in their value chain activities could increase their chances to increase their commitment.

To minimise opportunism among actors in the marketing channel distribution, network theory suggests ***governance*** mechanisms must be in place. In general, marketing channel governance can be performed through formal and informal contracts (Dwyer and Oh, 1988). The value chain literature suggests that governance mechanisms control relationships between retailers and suppliers. However, government agencies must play a major role in the enforcement of the agreement. Several dimensions have been proposed for studying governance of the marketing channel, such as structural arrangement and interactive between actors. In the context of the study, in which I argued that enforcing contracts is very difficult, I opt for an interactive governance approach.

Furthermore, the framework assumes that innovation is very difficult to diffuse among actors. However, in order for the idea to travel from retailers to food suppliers, there must be good communicational and trust among actors. In order for that innovation to be absorbed by the actors, it must also be supported by indirect actors such as government agencies. The framework sees that the flow of ***communication*** and trust are the factors that would facilitate actors to support new ideas for the production of new products. However, in order for food processors to absorb new ideas from the market approach, it is important that there are resources to support them in doing so. The assumption is that retailers would support retailers financially, technologically and in attaining managerial skills.

The framework suggests that the evolution of modern food retail in Tanzania was accelerated by the regularity of supplies, good quality product and innovation. Figure 4.2 shows that training; control and advice from food regulators would stimulate the availability of high-quality foods produced by local food processors and thus stimulate the evolution of modern food retail in the country. Table

4.1 shows important theories and variables related to each, which are assumed to be important to the lineage of local food retailers in Tanzania, as proposed by the framework.

In general, the framework suggests that for the local food retailers to increase their participation there must be support from indirect actors, such as government agencies. The framework must also recognise that government agencies have some role to play in the evolution of modern food retail in the country by providing training on food handling and advice to retailers. Institutions as external actors have the power to control which have an effect on market channel members (Stern and Reve, 1980). For example, including local food suppliers would be influenced by accepting products produced by food regulators and consumers. This means that innovation is very important. But for food suppliers to be innovative or for ideas from retailers to spread support from retailers and food regulators is very important. Table 4.1 provides an overview of the various theories that guide the framework.

Table 4.1: Important Attributes Governing the Framework

No.	<i>Theory(ies)</i>	<i>Attributes</i>	<i>Contributors</i>
1	Network relationship	Trust, commitment, governance	Ganesan and Hess (1997), Morgan and Hunt (1994), Mitchell <i>et al.</i> , (1998), Hunt and Morgan (1994), Möller and Halinen (2000).
2	DOI	Communication, trust, resources, regulations	Robertson (1967), Rogers (1971/1976).
3	RBV	Resources, networks	Barney (1990), Warnefelt (1984).
4	Retail evolution theories	Innovation, price, products, income, quality	Hollander, (1960), Levy <i>et al.</i> , (2005).
5	Global production network	Power, trust, laws	Hess (2004), Dicken <i>et al.</i> , (2001), Coe <i>et al.</i> , (2001).

4.6: Applying the Model to Guide My Empirical Study

Based on the above model, I intend to focus the empirical investigations on three sets of issues:

1. Determinants of the growth of modern food retail sectors,
2. Factors influencing the integration of local food suppliers into the emerging modern food value chain and
3. Policies and strategies that can be adopted to increase local suppliers' participation in the sector.

As suggested in the model, I will address these issues from the triadic perspective, collecting information from retailers, food suppliers and government institutions and agencies. I will supplement these primary data with secondary data from newspapers articles, journal articles and government and trade reports.

With regard to the first issue – i.e., determinants of the growth of the modern food retail sector in Tanzania – I will seek information relating to the motives for their establishment, growth factors, challenges and strategies. With regard to the second issue – i.e., factors influencing the integration of local food suppliers into the emerging modern food value chain – I will collect information that will help me gain insight into the processes of retailers' selection and acceptance of local food suppliers, the support that retailers provide to local suppliers and the nature of supplier-retailer relationships. Parts of these data will also help me gain and understanding of the policies and strategies that have thus far been adopted to increase local suppliers' participation in the value chain, the degree to which these strategies used by local food suppliers to increase their participation in the distribution chain have been successful and the nature of the institutional support that they have been provided.

4.7: Summary

My conceptual and analytical model explaining the linkage of local food suppliers in modern food distribution systems has three actors: retailers, local food suppliers and food regulators (institutions). The institutions can provide supports (such as training). They can also make and enforce laws, policies and regulations. The model assumes that the institutional activities have an impact on the establishment of relationships between among actors in downstream food innovation

and on the exchange of information among actors. As one of the actors, retailers have the option of either to stocking imported or domestic processed food. The model assumes that retailers' relationships with suppliers are contingent upon the following: active support (e.g., financial, managerial, training and technological), governance (such as signing contracts to minimise opportunistic behavior), trust and commitment. These factors will enhance the satisfaction of retailers and their relationships with suppliers. Furthermore, the model shows that local retailers need support from institutions, e.g., training on food handling. In general, food regulators have a major role to play in the establishment of downstream actors' relationships in developing economies. The model proposes that each actor has a role to play, and can, through their activities, positively or negatively influence direct or indirect actors. That means that any decision among actors can lead to exclusion or inclusion.

PART TWO

Introduction to Part Two

Part Two presents and discusses the empirical results obtained from data collection in Tanzania. It consists of four chapters. Chapter 5 presents the empirical findings from seven qualitative case studies of food retail companies in Tanzania. The cases consist of three international retailers and four local retailers. The international retailers are Uchumi, Game and Nakumatt, and the local retailers are Imaseko, Shop-N-Save, TSN and Panone. The empirical findings in Chapter 5 help to answer research questions one and two i.e., (1) What key factors are driving the development modern food retail in Tanzania? and (2) What factors influence the participation of local modern food suppliers in the industry?

It presents and discusses findings related to the following issues:

1. Motives underlying the establishment of modern food stores in the country,
2. The extent to which retailers do business with local food suppliers,
3. The criteria they use in selecting local suppliers,
4. The type of support they provide to local suppliers in order to improve performance and
5. The mechanisms they adopt to govern their relationships.

The chapter is structured as follows. First, I present within-case analyses of each of the seven cases in Chapter 5. The chapter also contains tables for various variables that have emerged as important to understanding the development of modern food retail in the country. Chapter 6 provides a cross-case analysis of each of the issues listed above.

Chapter 7 presents and discusses the results of the data on suppliers. It provides insight into the following issues:

1. Suppliers' perceptions of factors that influence the growth of modern food retail in Tanzania,
2. Views on criteria used by retailers in their selection of local food suppliers,
3. Retailer-supplier relationships,
4. Strategies used by local food suppliers to increase their participation in the distribution chain and

5. Types, sources and challenges of innovation among local food suppliers.

Chapter 8 presents and discusses the results of the data collected on institutions that are relevant to the development of food retailing in Tanzania. It provides insight into the following issues:

1. Institutional support to the growth of modern food distribution in Tanzania,
2. The role of institutions on food innovations in Tanzania and
3. Institutional challenges to the growth of modern food distribution in Tanzania.

Chapter 9 revisits my research questions and provides a cross-cutting discussion of the empirical findings. It also discusses the implications of the findings for food retailing policies and strategies in Tanzania, with a view to increasing local suppliers' participation in the food value chain. The chapter also presents my general conclusions and the implications of the present study for future research in the field.

Chapter 5: Within-case Analysis of Modern Food Retailers

5.0: Introduction

This chapter presents the empirical findings from seven qualitative case studies of food retail companies in Tanzania. The cases consist of three international retailers and four local retailers. The international retailers are Uchumi, Game and Nakumatt, and the local retailers are Imalaseko, Shop-N-Save, TSN and Panone. The empirical findings in Chapter 5 are helping to answer research questions one and two i.e., (1) Whatkey factors are driving the development of modern food retail in Tanzania? and (2) What factors influence the participation of local food suppliers in the industry?

It presents and discusses findings related to the following issues:

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4. The type of support they provide to local suppliers in oder to improve performance and
5. The mechanisms they adopt to govern their relationships.

The chapter is structured as follows. First, I present a within-case analysis of each of the seven cases in separate sections. The chapter also contain tables for various variables that have emerged as important to understanding the development of modern food retail in the country.

I must admit that there is some overlap in the presentations of the cases. I have, however, chosen to present the views of each respondent in order to document the consistencies in their perceptions and to strengthen the validity and trustworthiness of the cumulative knowledge from each set of data.

5.1: Case 1: Nakumatt Holding Supermarket

5.1.1: Background

The company is a family business that originated in Nakuru in Kenya in 1972 and is owned by Mr Atul Shah. ‘Nakumatt’ is a short form of Nakuru Mattress. In 1992, Mr Shah shifted the business from selling mattress to selling groceriess. Nakumatt Holding operates in Kenya, Uganda, Rwanda and Tanzania, with 52 storesacross those countries. It is considered to beone of the leading supermarkets in East Africa, and is estimated to be worth US\$ 400 million. It employs 7,000 people

across the East African region, with 38 stores in Kenya, 8 in Uganda, 2 in Rwanda and 4 in Tanzania.

In Tanzania, the chain store has four outlets after acquiring three Shoprite stores in 2014. Out these, two are in Dar es Salaam, one is in Arusha and the last is in Kilimanjaro. Nakumatt Holding Supermarket opened its first store in the Northern tourist circuit town of Kilimanjaro in 2011 with 34,000 square feet outlet for an investment estimated to be US\$ 2 million. The store opened after the failure of a deal to access a location in the commercial city of Tanzania, Dar es Salaam. Furthermore, the chain store has a plan to open stores in Malawi, Burundi, South Sudan, Nigeria, DRC, Botswana and Zambia. To finance its strategic expansion plan in Africa, the store has planned to be listed at the Nairobi Stock Market three years after 2014 (Sumila, 2014).

Nakumatt's plan in Tanzania is to open stores in Mbeya, Mwanza and Morogoro. In meeting its strategic plan in 2014, Nakumatt acquired Tanzania's three Shoprite stores in Dar es Salaam and Arusha for Tsh 76 billion. This acquisition marked the entry of Nakumatt in the Tanzanian commercial city, which has a population of 5 million people.

Nakumatt have 208 employees in Tanzania, most of them maintained from the acquisition agreement with former employees of Shoprite. The retail chain store is recommended to employ Tanzanians for its 99 per cent (Mtweve, 2014). Shoprite has operated in Tanzania since 2001, which gives Nakumatt the benefit of having employees with experience working in the country's modern retail business.

Nakumatt has plan is to work with local suppliers in the country. Currently, the chain store has four stores, with two in Dar es Salaam at the Kamata and Mlimani City shopping malls. Mlimani city is one of the most famous and shopping centres in the country, which indicates the potential for the store to grow more.

5.1.2: Nakumatt's Perceptions of the Underlying Factors for the Development of Food Retailing in Tanzania

Although prices at the wet market are very low compared to those offered by modern food retail, the number of modern stores has increased in Tanzania. For example, Nakumatt started with one store in Moshi Tanzania in 2009. In 2014, it acquired three stores from Shoprite. This shows that the future of modern food retail dependent on consumers' migration to those stores. What are the reasons for this? Thirteen codes emerged from an interview with Nakumatt's manager on the development of modern food retail in Tanzania. Based on a thematic analysis, three themes

emerged as the reasons for the development of modern food retail distribution in Tanzania, those being: *lifestyle changes, health awareness and administrative reasons.*

Lifestyle changes and health awareness

The manager interviewed at this company suggested that education, income and improvement in employment opportunities in the country have contributed to people's increasing desire to buy their food from supermarkets. He puts it this way:

'Errr....You have to remember that the number of educated people has increased, OK,errrr... Many families have also changed. Therefore, people trust that the only place they can get products with high standards and quality, and where health inspection officers' visit every now and then for evaluations, is a modern store.And people are sure that once they buy anything from these stores, they can get an open charge if they are not happy'.

Furthermore, as the number of Tanzanians with better education increases, so has health awareness among urban consumers. The respondent argued that the urban middle class employed by the private sector in Tanzania leaves offices at later hours. However, wet markets close at 6 o'clock in the evening. This has led to the rise of evening markets in the urban areas, but vendors have not considered hygiene. Modern retail stores generally close at 9 o'clock, while some operate for 24 hours. This provides middle-income consumers the opportunity to buy food at convenient times and under better hygienic conditions.

The respondent also noted that the development of the modern food retail industry in Tanzania could be associated with increased health awareness among urban consumers. This was due to the number of cases of food crises reported in Tanzania. There have also been outbreaks of diseases like cholera in Tanzania during the past decade, for which food contamination been given as a cause.

Administrative considerations

Tax collection and food crisis control is very important parameters in the administrative dimension. The respondent also reasoned that the fact that the government cannot collect tax properly from wet market operators and local food vendors explains the interest in encouraging the establishment of modern retail outlets. Modern retailers can easily be monitored by food regulatory bodies in Tanzania. Furthermore, food control agencies like TFDA and TBS can easily control modern food

outlets and penalise them if unregistered food is channelled through their stores. The respondent explained it as follows:

'I cannot talk about Nakumatt alone but if you would like to see awakening in this country, there are many options. Now, if you look at Zambia and other countries small, small shops in the streets have been closed. You cannot see butchers or bakeries in streets. This has been done in order to allow the government to collect tax.....but now we are paying, but they don't pay much tax in the streets. For now, corporate companies' rules are flexible, but this is for only large companies. For those below, the situation is worse. Nowadays, there are no problems in getting certificates-you can go to TFDA and get a permit on the spot, and if it is not issued yet, they will tell you to go and start working, and they will give it to you once it is out'

5.1.3: Nakumatt's Relationship with Local Food Suppliers

According to the branch manager, it is estimated that Nakumatt to sells about 45 per cent of its fresh products and 20 per cent of its processed products from local suppliers. Table 5.1 shows some of the typical food items Nakumatt buys from Tanzania's food suppliers. Food items like carrots, cabbages, chicken, eggs and milk are procured in their fresh form from local suppliers. Processed food products like juice, rice, maize flour and cooking oil are also bought locally. The chain store also imports some meat from South Africa, and apples and grapes from South Africa and Egypt.

Table 5.1: Some of the typical local food products sold at Nakumatt

Items	Products	Regions
Fresh vegetable and fruits	Mchicha, carrots, cabbages,	Tanga (Lushoto) and Dar es Salaam
Semi-processed	Liquid milk (Tanga Fresh), chicken (Interchick)	Arusha, Tanga, Dar es Salaam
Maize flour	Variety	Dar es Salaam
Rice	Variety	Dar es Salaam, Mbeya and Morogoro
Juice	Azam Juice (Bakheressa Food Companies)	Dar es Salaam
Cooking oil	Sundrop (Murzah)	Dar es Salaam

Source: Interview

The interview shows that three factors tend to influence Nakumatt's purchase of locally produced food items. These are: consumer requests, cumbersome custom procedures and health awareness. According to the respondent, Tanzanian consumer requests for locally made food products motivated Nakumatt to stock locally made food items. He explained that Tanzanians like to buy food processed locally for two major reasons. First, to support the local economy, and second, due to a common view that imported food has chemicals those are hazardous to health. A third reason is that the packaging of locally processed food has improved. In the words of respondent:

'Noerrr...Tanzanians have woken up and they know their products, I swear to God. What I can say is that most of the local companies have involved professionals in the design of the packaging, not like in previous years'.

Cumbersome food policies have also motivated Nakumatt to source from local food suppliers. According to the respondent, imported food items have to be certified by TFDA, TBS and the Ministry of Agriculture. Nakumatt finds the certification process rather cumbersome. He explains:

'Ask yourself why Nakumatt has failed to import some items from Kenya, despite being very close-why? We wanted to start exchanging goods from Tanzania and other countries where Nakumatt has stores, like Kenya, Uganda and Rwanda. We can link suppliers of beans and rice, and we can get other commodities from those countries through our stores. Through those exchanges, business can start to grow. But in here, business growth is very slow, because food importation is a disgrace (kasheshe)'.

In spite of the above reasons, locally supplied food makes up a very low proportion of Nakumatt's total food sales when compared to Tanzania's food production capacity. For example, the respondent says that Nakumatt procures 20 per cent of processed food from Tanzania. In this view, factors that limit Nakumatt's procurement from local suppliers include: suppliers not being registered, poor packaging and poor quality.

Nakumatt's policy is to procure all its goods from suppliers which are registered with TBS, TFDA and that have tax identification numbers from the TRA. This policy limits the number of local suppliers that the company can deal with.

Another main factor limiting Nakumatt from procuring from local suppliers is a lack of good packaging for their goods. However, interviews show that there has recently been some improvement in this area, which can be seen in the design of packaging.

Quality is another hindrance. The respondent said that Nakumatt would procure more from local markets if the quality of the food items produced were better than they are currently. In addition to quality, local suppliers must prove themselves reliable sources of supply. In the respondent's view, local food suppliers are not reliable and cannot deliver on time. He explained:

'We failed to source 60 per cent of food from local suppliers. For example, you can order 12kg of meat today. Suppliers can do that, but if you call the next day, the supplier can't do that.....This is not good for business. We came to notice that these growing companies are challenges to us. Then we started to work with suppliers with the capacity to source from different parts of the country. That's how we do it for now'.

5.1.4: Criteria Used by Nakumatt to Select Local Food Suppliers

Nakumatt used six criteria in selecting of suppliers. These include government requirements, packaging, quality, customer requests, acceptance of trade credit and reliability.

Acceptance of trade credit

One of the criteria for the acceptance of a supplier by Nakumatt in Tanzania is the supplier's acceptance of credit terms. Nakumatt introduced trade credit system that shows that retailer has the capability to set payment date and terms. The supplier's acceptance of these new terms is considered very important. According to the respondent:

'There are those who are paid in two weeks, three weeks and one month'

The credit terms appeared to be a problem for the local suppliers. Although their supplies to Nakumatt could be small, the credit terms create cash flow problems for most of them.

Government requirements, consumer feedback and product range

The interview shows that the retailer uses legal certificates for the selection of suppliers in Tanzania.

The respondent explained that the process this way:

'....We first verifies suppliers' certificates from TFDA, TBS and TRA. As Nakumatt, I can't accept you if you are not registered. Many people don't register their companies..... That is a challenge.if you don't have.....a TBS certificate'.

Tanzanian law prevents food retailers from setting their own food standards. For this, Nakumatt itself has no food department with food technologists who could conduct internal food analysis. Furthermore, it is illegal for food retail stores to sell food items from unregistered food producers. This explains Nakumatt's insistence on legal certificates.

The interview shows that Nakumatt relies on consumers' feedback to make decisions about whether to stock more goods from local suppliers. According to the respondent:

'....We are not just doing business, we are also looking to what our customers want. We are focusing on what our customers want..... We are efficient in stocking in our stores with our customers want'.

The range of products a supplier produce can influence whether or not a retailer sources from a particular supplier. This shows that retailers would like to source from a single supplier, which would allow control of the stock and the administration. Retailers considered sourcing from a supplier with multiple goods to be the means that could make suppliers committed to the retailer, due to their relatively high sales value.

'I told you that local suppliers are a 'disgrace' (Shida) to deal with, and the environment does not favour them. Suppliers can collect honey from Tabora and repack it, once there is a shortage of honey in July! You can't find them. Now we are dealing with suppliers who have a wide range of products and with the capacity to source from different parts of the country.....'

Suppliers must not make the mistake of cheating. The respondent states that some local suppliers tend to cheat on the deliverance of supply. Additionally, some are very unreliable, taking a long time deliver goods.

5.1.5: Types of Support Nakumatt Provides to Local Food Suppliers

Based on a thematic analysis of the interview data from the case study, Nakumatt Supermarket provides marketing information, marketing training and space support to local food retailers. It does not provide formal financial, managerial and technological support to the suppliers it deals with. It does, however, provide informal training on improving of packaging on marketing information

about products it has gathered from consumers. The respondent explained the company policy on the issue in this way:

‘No! Company policy has not indicated any support plan to suppliers. We can train them through informal meetings when they are here, like telling them go and do this and that, and that’s it!....All customer complaints have to come to us.....Therefore, we can tell suppliers, and they can start afresh to produce a product. During formal meetings we have with them.....we can share customer complaints and areas for improvements’.

Another support that Nakumatt provides to local food suppliers in Tanzania is free space. It is generally known that in other countries, retailers sell space to food suppliers. For example, in some countries, food suppliers are required to pay for slot fees or commissions if they fail to honour their delivery obligations. Nakumatt waives such fees. The respondent explained the policy this way:

‘We give them a free space to sell their items that is what we can do. We are paying for it per square metre. Therefore, if a supplier failed to supply for a week and on the same space we used to display an item that sold 20 pieces per day that is a loss for us’.

5.1.6: Mechanisms that Nakumatt Uses to Govern Relationship with Suppliers

Nakumatt uses contracts and premises visitations as the means of governing retailer-supplier relationships. But the company is quite flexible and lenient with local suppliers in cases where suppliers do not adhere to the details of the contract. Instead of enforcing the contract through legal means, the company resorts to policies of price reduction, trade credit management and return of poor quality deliveries in order to discipline the local suppliers. According to the respondent:

‘We don’t enforce contracts or take you to court. We don’t have any kind of issues like that. They voluntarily quit - you know that this is what you promised to deliver, but did not hit the target. They themselves quit!’

Premise visitation is another technique used by the retailer in governing the relationship. This is used to insure that goods that meet country standards are supplied since in food value chains, once a food crisis happens the image of the firm will be damaged. The company only visits large food suppliers. This suggests that the possibility of retailers having long-term relationships with suppliers will be influenced by how much a firm distributes through the store.

5.2: Case 2: Uchumi Supermarket

5.2.1: Background

Uchumi Supermarket is a Kenyan retail store that was operating in Tanzania and Uganda before its closing its branches in those countries in September 2015 following the five years of losses. One of the major shareholders of Uchumi Supermarket is the Kenyan government. The chain store was established in 1976 in Nairobi with the support of the Italian government, with intention of transforming Kenyan food distribution.

Uchumi entered the Tanzanian market in 2012 when it opened its first store at the Quality Plaza Shopping Mall in the commercial city of Dar es Salaam. Until 2015, Uchumi had six stores: five in Dar es Salaam and one in Moshi. Uchumi was estimated to have invested US\$ 10 million in its operations in Tanzania. The store's expansion involved opening stores in Mwanza, Arusha, Mbeya and Morogoro. Furthermore, Uchumi was committed to buying food from local suppliers.

The chain store was cross-listed in East African regional stock markets. For example, Uchumi was listed at the Dar es Salaam Stock Market in August in of 2014, at 25,426,614 shares. In spite of this initiative, the chain stores failed to attract Tanzanian investors as major shareholders who could sit as board members.

At the time of the closure of its six stores in Tanzania, Uchumi employed 460 poeple. Furthermore, it was reported that the chain store owed suppliers Tsh 3 billion. Of this Tsh 3 billion, Tsh Tsh 1.7 billion was owed to its 450 local suppliers (Sumila, 2014).

5.2.2: Uchumi's Perceptions of Food Retailing in Tanzania

We follow the factors that emerged from the thematic analysis of the data in discussing what the management of Uchumi considers to be important to the evolution of modern food retail in Tanzania. These are: lifestyle changes, administrative reasons, availability of suppliers and institutional supports.

Lifestyle changes

The respondents' share the views expressed by the Nakumatt respondent that the desire to eat healthy food due to food scandals associated with food distributed at open markets has led to the development of modern food retail in Tanzania. They stressed that middle-class Tanzanian consumer wanted to shop at clean and safe places. Furthermore, some consumers find it convenient to go to modern retail stores and present their claims once any food hazards have occurred. They do not have the same means of identifying and claiming redress from hawkers or street food vendors. The respondents presented their assessment of the future of modern food retail in Tanzania as following:

'The future is good because as of now, people are coming to like supermarkets. The inflow is highly increasing in our stores. It's because of standards and quality. People are very ready to pay for high-quality foods. They are coming here to get high-standard, clean products. They are saying standards first. Before, people were saying, those who go to supermarkets are rich. Those are the ones who are going to supermarket bwana! Rich men! Rich women! But that was very long time ago. A very long....long time ago. But now things have changed, anybody visits the supermarket. Anybody can enter here and buy whatever he wants. When you go down, there are sodas you can buy for 600 and biscuits for 200. Is Tsh 200 for rich people? Everybody can achieve that. That's why now you see everybody is visiting a supermarket'.

Administrative consideration

The Uchumi respondents considered two factors as being very important for administration reasons: (1) tax collection and (2) control of food-borne diseases. One informed me that the food industry is has difficulty maintaining regulation in Tanzania. For example, although the Milk Industry Act of 2004 prohibits the sale of raw milk, hawkers are still selling milk. Since hawkers are seldom taxed, food sales through informal channels mean that the government loses income from tax. Modern food retailers and food suppliers are required to have TRA certificates and business licences. The registration requirement means that the government can collect funds from them. The government therefore supports the evolution of the modern food value chain.

Availability of suppliers

Another reason for the development of modern food distribution in Tanzania was the availability of sophisticated suppliers. Modern food distribution is characterised by regular spontaneous order and

trade credit. This requires suppliers to have adequate supplies at any time, year-round. They must also have enough working capital to deal with payment being delayed by retailers. For example, the respondents show that Uchumi can pay suppliers in not less than 30 days.

The respondents also inform me that, due to problems that infant processing industries in Tanzania face (including infrastructural bottlenecks, red tape with government institutions and a lack of appropriate technologies), their supplies are irregular, and Uchumi, just like other modern retailers in the country has to import some of the food items they sell. However, food importation in Tanzania is not timely or easy due to red tape at customs. In the words of the respondent:

'We are moving. The quality is improving. New guys are coming in. New suppliers are coming day and night. So people are not sleeping any more. They are fighting day and night instead of thinking about formal employment. People are going for self-employment. And they are making good things. From quality, packaging - people are doing well in processing too. In food stuff, people are coming'.

Institutional support

They also attribute the emergence of modern food retail in the country to the improvements in institutional support. Institutions such as TFDA and TBS provide short-term training to food processors. Again, these trainings enable local food processors to be aware of food standards and techniques required for food storage and handling. Through training, most food processors managed to have certificates from TFDA and TBS. The institutions also play regulatory roles in the form of confiscating of nonregistered food processors. This improves the business opportunities of modern food retailers and leads to the availability of high-quality food products in the country. He explains:

'Okay, another thing for quality. You know we havevery good assistance. We have agencies that deal with standards. You know we have TFDA and TBS - those people are helping us a lot. For example, you brought your items-let's say it was food. All food items are required to have TFDA certificates to go out for mass production and distributions. So, if it is has certified, we have to test before we decide to put it on our shelves'.

5.2.3: The Extent to Which Uchumi Does Business with Local Food Suppliers

Uchumi Supermarket is estimated to source 50 per cent of its food products from local suppliers. Some of the typical fresh products which are procured from local markets are meat, chicken, vegetables, pineapples and milk and its products. These are typical food items that are procured in

Tanzania by the retailer, as shows in Table 5.2. The retail chain also imported grapes, apples and oranges from South Africa and Egypt.

Table 5.2: Some of the typical local food products sold at Uchumi

Items	Products	Regions
Fresh fruits and vegetables	Mchicha, carrots, cabbages	Tanga (Lushoto) and Dar es Salaam
Semi-processed	Sausage (Happy Sausage), liquid milk (Tanga Fresh), chicken (Interchick)	Arusha, Tanga, Dar es Salaam
Maize flour	Variety	Dar es Salaam
Rice	Felix Rice, Foot Loose and other brands	Dar es Salaam, Mbeya and Morogoro
Beans	Felix Dried Beans, Foot Loose Dried Beans and other brands	Dar es Salaam
Juice	Azam Juice (Bakheressa Food Companies)	Dar es Salaam
Cooking oil	Sundrop (Murzah)	Dar es Salaam

Source: Interview

5.2.4: Procurement from Local Suppliers

According to the interview, there are four factors that motivate food retail store chains to buy food from local suppliers. These are: demand for fresh products, health awareness, consumer requests for locally made food products and cumbersome importation procedures.

For example, fresh products are bought locally for two major reasons. One is the need to meet the market needs of fresh products. The interview shows that consumers in Tanzania want to buy vegetables and fruits in supermarkets, but they have to be fresh. However, the number of consumers

who are buying fresh vegetables and fruits in modern stores in Tanzania is very low. This makes it unprofitable for the retailer to import those items. This is the reason why imported apples and oranges from South Africa and grapes from Egypt are mainly distributed through roadside vendors and tourists' hotels, and not in modern food retail stores such as Uchumi.

Another reason is health awareness among urban middle-class consumers. There is a general understanding that consumers in developing countries are more scared of additives and chemicals in some foods. Therefore, products that can be easily sourced from local suppliers are preferable to imports.

Just like Nakumatt, Uchumi noticed that consumers preferred to buy locally made products with the belief that they could one may boost the local economy. Selling local products therefore enhanced Uchumi's image as a supporter of the Tanzanian economy. The respondent's explanation is as follows:

'There is economic consciousness among local consumers. No. They want to boost their economy. This is made in Tanzania - we want our products. We want to boost our economy.....errr... We want to taste our products'.

Uchumi's respondent felt that there were many products that the supermarket could import from other East African countries, but cumbersome importation procedures within the East Africa Community makes Uchumi opt for local food suppliers. Each country still has custom rules and tax regimes that are difficult to break through.

Thematic interview analysis shows that there are four factors that limit Uchumi purchases from local suppliers: consumer preferences for imported goods, payment delays, return policies and packaging. The manager claims that there is a higher demand for imported consumer goods in Tanzania than for locally made items.

'The problem is that people have Western culture in their minds. This means that they are not content with the local food items'.

Quality is another problem that limits Uchumi from sourcing locally made food items. The respondent informs me that they do reject products supplied by local producers due to poor quality or poor packaging. He explains:

'If a product is rejected, we tell them the reasons for that. There are two or three challenges here. Either you go and make some changes, or the products do not move at the market. Errrr.....Errrrr.....There is one case of a supplier was supplying...errrrr.....If am not mistaken, it was a cooking oil. The packaging material was loose. So, even it goes for transportation, it starts to leak. It was a small company. They accept the challenge, but I haven't seen the product here again'.

Payment delay is another factor that limits local food suppliers from working with Uchumi Supermarket. For example, the procurement officer of Uchumi accepted that on some occasions, payment delays happen. This suggests that local food suppliers that receive cash from distributors and kiosks or open markets can decide not to sell to Uchumi.

Another reason that limits suppliers is Uchumi's loss sharing policy. Uchumi's policy is that if a product is damaged or if its usage date expires at their premises, suppliers have to replace it. That means that suppliers have to accept loss when selling to Uchumi. They do not experience the same kind of loss when they do business with buyers from open markets, kiosks or bazaars. These are the words of the respondent on this issue:

'Yes, we have a return policy on expiry date and damages in transit. How do we share the loss? It depends. For example, damage can occur during transit. That one, the supplier has to change. Now we are managing that one before the expiry date. We can drop the price or return it. Or you can give us a new one'.

5.2.5: Criteria Used by Uchumi in Selection of Local Food Suppliers

Interviews show that Uchumi Supermarket uses five criteria in the selection of local food suppliers in Tanzania. These criteria are: price, government requirements, packaging, acceptance of return policy and trade credit.

Those suppliers who agree to replace damaged products and/or replace products once their usage dates have expired at their own cost are usually selected as local suppliers to Uchumi. Uchumi Supermarket would also like to procure products from suppliers that have accepted its trade credit policy. The store's payment policy is that they do not pay cash, and payment is on credit. In spite the agreement on the date for payment but the retailer is the late payer. Like Nakumatt, Uchumi insists that its local suppliers must register with the appropriate Tanzanian food regulatory agencies

and produce certificates of registration before they will be selected as suppliers. Uchumi's procurement unit also pays attention to packaging designing and the colour of the package when they select local suppliers.

According to the respondent, Uchumi would like to work with the supplier that can offer prices below prices which is offered to kiosks and bazaars. Retailers may also ask for price reductions at any time. These are the respondent's words on this issue:

'One of the big things is that the price you offer has to favour the last customer who is coming here to make a purchase. let's assume you are a distributor who distributes to other buyers in the streets – you cannot come to supermarket with the same price! Price...the price that you offer to those retailers in the streets should not be similar to my price. Who is the street retailer? These are those Mangi and Wapemba. The prices you are giving to them have to be different to mine. For one thing, we don't pay a similar rent. You know that! So I don't expect that if..... you sell to those outside retailers for 2,000, you will come to me with the same price. That is impossible!'

5.2.6: Types of Support Uchumi Provides to Local Food Suppliers

The interviews with Uchumi Supermarket procurement officer and floor managers show that the firm does not support local food suppliers with financial, technological or managerial skills. The retailer supports local food suppliers with free space and encouragement in seeking loans from commercial banks.

Free space

The only support Uchumi offers its local suppliers is 'free space', along the same lines as Nakumatt. They also encourage their suppliers to seek loans from commercial banks. The respondent replied to the question, 'What support do you offer local suppliers? As follows:

'No! We can just tell them to work hard. We want them to bring those products.....Support! Anhaa....No! What we support is you bringing your items that can be sold in our stores'.

5.2.7: Mechanism Used by Uchumi to Govern Its Relationships with Local Suppliers

The governance mechanisms used by Uchumi are similar to those used by Nakumatt. Furthermore, the interview shows that the retailer does not sign contracts with the intention of enforcing them

once there is a breach of contract. This does not mean that Uchumi has its own standards in Tanzania. As noted above, it is not legal for the retail stores to have specific standards. But the visits serve as a means of building trust with suppliers.

5.3: Case 3: The Game Supermarket

5.3.1: Background

Game is subsidiary brand of Massmart, a South African retail company that is listed at the Johannesburg Stock of Exchange. The company was founded in 1970. In mid-1994, Game expanded outside of South Africa, and is currently operating in 14 countries in the continent, including Tanzania.

In 2006, Game entered Tanzanian by opening a store at a Mlimani City shopping mall in the commercial city of Dar es Salaam. In 2013, when Massmart was acquired by Wal-Mart at a 51 per cent share, the company started to engage in the grocery business. Before that, Game's Tanzania branch had mainly dealt with home appliances and stationery.

Since starting its operation in 2006, the chain store had only one outlet, in Dar es Salaam. However, the administration claimed that poor location caused them not to expand in the Tanzanian market. The other challenge is that a dependence on imported goods limited the success of the store, to be which is perceived to be only for high-end consumers (Mulipi, 2015).

The slogan used by the chain store is: 'We won't be beaten on price'. They claimed that if a customer bought something at their store and found it to be priced relative higher than at one of their competitors, they could get a refund and 10% off the price. Furthermore, the store would refund anything damaged within 30 days of the day of purchase.

5.3.2: Game Supermarket's Perception of Food Retailing in Tanzania

As in the previous cases, I discuss the perception of the respondent at Game Supermarket on the factors influencing the development of the modern food retail sector in Tanzania, in terms of the themes of lifestyle changes, availability of suppliers and institutional support.

Lifestyle changes and availability of suppliers

The respondent agrees that lifestyle changes in Tanzania have accelerated the evolution of modern food retail in the country. However, he sees modern food retail stores as being open to everyone and not only for high-class consumers. In his view, this is reflected in the high number of people who patronise their stores. As he puts it:

'People think if I will visit the supermarket is the place for the "haves" class. For example, I tell people where I live "Come to our store, we have cheaper products than here, and their hygiene is good. You can buy bread for 1,200 from convenience stores but you can get that at our store for 1,000. You can get expired milk from a street kiosk, but from us there is no such a thing".'

The respondent also informs me that local food suppliers have agreed to work with Game Supermarket, although the terms of payment offered can, at times, constrain their cash flow. He argues that the terms of payment must be seen as a means of ensuring that the local suppliers deliver good quality products that consumers are willing to buy. He explains the situation as follows:

'The thing accelerating the growth of supermarkets to me is the availability of suppliers. Suppliers can't be paid immediately after delivery. It's like you trade credit, and that is the kind of business that is conducted by many traders. We are paying our suppliers 30 days from the delivery date. For fresh products, it is 15 days after delivery. Once that is reached, you get your money. But sometimes we are not happy when days have passed and the product is still on shelves'.

She continues:

'You know local suppliers are used to the cash system. But now they are used to the trade credit system, where you have to first supply and then get paid after if you want to be a supplier to supermarket. Therefore, local suppliers understand that if you want to sell at supermarkets you should have enough capital. I believe they have started to understand that'.

Institutional support

He agrees with participants from the other supermarkets that institutional support has played a role in the evolution of modern food distribution in Tanzania. Training and inspection services provided by government institutions have been helpful and have improved food storage and handling within the value chain, and have raised the community's confidence in these stores when compared to the open market. He explains his views as follows:

*‘Institutions like TBS and TFDA really helped improve the quality of local products.....These business regulations improved our food processing systems. In principle, the coming of regulators like TFDA has improved the production capacity of local food processors. Nevertheless, there are many **Panya roads** (smugglers routes) that sell at low prices relative to the prices offered by local food processors. But TBS and TFDA check them from time to time. I think this is good for us. They also come with suggestions on what we should improve. We have some problems in Tanzania because we have to register at TBS for everything we import. These procedures cost a lot of money’.*

5.3.3: Game Supermarket’s Engagement with Local Food Suppliers

The interview shows that Game Supermarket procured 40 per cent of food items sold from local food suppliers. The chain diversified into food in 2014 after being acquired by Wal-Mart in 2012 - previously the store focused exclusively on electronic appliances. One of the reasons for the under-one-roof strategy was increasing traffic in the store.

Typical locally sourced foods sold in the store chain are milk and its products, maize flour, rice and cooking oil, as shown in Table 5.3.

Table 5.3: Some of the typical local food products sold at Game

Items	Products	Regions
Semi-processed	Liquid milk (Tanga Fresh), Assas Dairies Limited, Tan Dairy Chicken (Interchick)	Arusha, Tanga, Dar es Salaam, Iringa
Eggs	Alaska eggs	Dar es Salaam
Maize flour	Variety	Dar es Salaam
Rice	Foot Loose and other brand	Dar es Salaam, Mbeya and Morogoro
Juice	Azam Juice (Bakheressa Food Companies)	Dar es Salaam

Cooking oil	Sundrop (Murzah), Felix Cooking Oil	Dar es Salaam
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Source: Interview

5.3.4: Procurement from Local Suppliers

The interview shows that government interventions that obligated retailers to source at least 60 per cent of food from local food processors forced Game Supermarket to think of local food processors. As the respondent put it:

‘Okay, they have decided first to support local food processors and customers. Furthermore, once the government intervened, they made sure that local food processors were getting access to modern food retailing’.

The respondent (who once worked at Shoprite Supermarket) revealed that Game’s attitude to local food processors is different from Shoprite’s. The later hoped to connect South African food processors to the Tanzanian market, and therefore ignored local food processors. In her words:

‘Naturally, Shoprite was not in favour of local food processors; they wanted each and every thing to come from South Africa. But the government intervened. The government insisted that we should buy some food from local suppliers. For Game, our priority is to support local food processors’.

The respondent also agrees that food registration regulations are another thing that forced Game to source from local market.

‘These issues like certificate from TFDA, cargo clearing at the port and custom unit and everything. Shoprite was advised to submit each of the imported items to TFDA for verification and registration; that one was a setback. The retailer imported each and everything from South Africa, and due to red tape at the custom unit and port, once released, foods can have a life span of two months’.

She informs me that Game can source some of its food locally because there has been an improvement in quality. They base their quality assessment on packaging and certificates from TFDA and TBS. These issues have been implemented by many suppliers, which have increased trust from the retailers.

The interview with the Game food-co manager shows that there are number of factors that which limit retailers from sourcing food from local suppliers. These factors are: payment policy, consumers' preference, government requirements, quality and packaging.

The interview shows that local consumers prefer imported foods over domestic food products. This limits Game from featuring many of the local foods suppliers in their store. Fortunately, the demand for local food is increasing gradually compared to country's capacity.

As noted earlier, another limiting factor is the credit payment policy, which was introduced by Game, just like all the other retailers. The respondent reasoned that most of the suppliers probably decided not to trade with the channel players that want their goods in credit, while other channel players pay in cash.

'You know that suppliers are used to the cash payment system. For now, I think they are used to the new system, that once you supply to a supermarket, the product has to be sold, and then you may get paid after some times. Therefore, local food suppliers understand that, and they know that if you want to supply to supermarkets you must have enough funds. I believe now they are with us'.

Although institutions such as TFDA and TBS provide useful support, they also limit local suppliers' access to Game. For example, food suppliers may be required to have certificates from TBS in order to be accepted by retailers. In some situations, however, it takes more than a year to get these certificates. This blocks the chances of some local suppliers to sell to the supermarket.

'You know, you can have only one item that needs to be certified to go at the market, but that can disturb your business and it can take years for you to get certificates from TFDA and TBS. This is the major setback for food entrepreneurs. For example, there is a supplier here selling carrot juice, but for that carrot juice to be on our shelves, it needs to have abar code and certificates from TFDA and TBS. So it is difficult for them to get certificates that allow them to get into market, which is a setback'.

Packaging is another limiting factor. Game is unhappy with the packaging of the locally made food products since this influences the marketing performance of the product. Game therefore offers advice to some local suppliers in, for example, their choice of colour and packaging materials that are suitable for storage at lower temperature (e.g., in the case of milk products).

5.3.5: Game's Mechanisms Used to Govern Relationships

As in the other cases, Game's management uses the following governing mechanisms in its relationships with local suppliers: contract, visitation, marketing information and returning non-moving items to the suppliers. Contracts specify prices and conditions of payment. Game also seems to be strict about its return policy for non moving items with regards to signed contracts. Visits to food processors' premises allow Game's staff to offer useful advice to suppliers and to strengthen relationships between the two. The visits also help the retailer to understand some of the challenges food suppliers face – e.g., in term of meeting the timely delivery of goods.

5.4: Case 4: Shop-N-Save Supermarket

5.4.1: Background

Shop-N-Save supermarket is a family business owned by Mr Raju. The company began its operations in 1990 in a food confectionary in the city of Dar es Salaam, by processing bread at Mindu Street in Upanga. Currently, the chain store has three outlets in Dar es Salaam at the city centre.

In 2000, Shop-N-Save opened a store in Upanga, followed with another store at the Vijana Building also in Upanga. In September of 2014, the family business opened another store at the Dar es Salaam city centre at Diamond Plaza. This means that the store has three outlets in the city of Dar es Salaam.

To support its growth, the family business has become in e-marketing with B-Pesa to support transactions. The introduction of the B-Pesa card, together with Commercial Bank of Africa, gives consumers a 3 per cent discount if their purchased amounts to more than Tsh 20,000.

Shop-N-Save located its stores in the areas where large population of Tanzanians with an Asian background would support the growth of the company. Tanzanian-Asians are estimated to be 5 per cent of the population, but their economic purchasing power is high compared to other ethnic groups in the country.

5.4.2: Shop-N-Save Supermarket's Perception on Food Retail Management

Again, I discussed Shop-N-Save's perception of the factors influencing the development of the modern food retail industry in Tanzania in terms of the themes of lifestyle changes, availability of suppliers and institutional changes.

Lifestyle change and supply conditions

The interview with the respondent at Shop-N-Save shows that a change in lifestyle seems to be a strong reason for the rise of modern food retail in Tanzania. The related drivers include an increase in income, travel and finding products under one roof. He explains:

'...As you can see we have customers who come in and 95 per cent are Tanzanians. They choose to go to the supermarket. The supermarket is a place where you can find everything under one roof. People don't want to go to different places to find different things. You just come with your list. You come here and you buy everything under one roof'.

He continues:

'So far, people are doing well. There are some new establishments that are travelling here and there. It will go up because most people now have good income and have changed their views. There was a time supermarkets were perceived as the stores for well-off people. We are selling to people with Tsh 500 and Tsh 1,000,000. We are selling to them also. Until those guys visit supermarkets, their mind will not change'.

Again, the acceptance of trade credit by local suppliers has been mentioned as an important factor. He explains that Shop-N-Save introduced terms such as credit policy and return policy. Despite this, most of these terms are based on unwritten agreements that strongly impact retailer-supplier relationships.

The assumption is that if the terms were not favoured by local food suppliers, modern retailing stores would likely close down in Tanzania. However, the growth of the industry in Tanzania indicates that suppliers have accepted the trade credit. The respondent presents the company's condition this way:

'We pay with cheques. We don't pay cash. It depends on the supplier. If you can negotiate his/her conditions, 50 days is there, 2 months also is there, 3 months also is there. It depends on what food they supply'.

“The industry is growing. People are available and there is scope. Yeah, everything is good. People are starting to know all the items because we are importing from India, China and the UK. You will find people from around the world here. They are looking for different stuff. Also, I don’t know, but people like to shop from the supermarket nowadays. They want to go to a big shop nowadays.....There are too many suppliers’.

5.4.3: Shop-N-Save Supermarket’s Engagement with Local Food Suppliers

According to the interview with Shop-N-Save’ branch manager, which has three stores in Dar es Salaam, the store is estimated to procure 15 per cent of food items sold from local suppliers. Table 5.4 shows some of the typical food procured from local food suppliers by the retailer. Shop-N-Save has three stores- two located in Upanga and one at Posta Street. These are areas with dominant Indian communities. Naturally, most of food products sold in these stores are imported from India, China, the UK and South Africa. The range of local items sold is therefore rather limited, and the quantities are small. Shop-N-Save sees their support of local food suppliers in terms of providing them space in their stores to sell their items. The respondent explains it thus:

‘No, it’s not us who are selling that fresh produce. We have given that space to someone who is delivering those goods and operating that space. He buys it from the open market in the morning and comes here for display. We don’t take any loss for that once it has occurred. He will come to change the damage and shrinkage one in the evening or morning. We are getting a mark-up based on day of sales to cover our cost of operations’.

Table 5.4: Some of the typical local food products sold at Shop-N-Save stores

Items	Products	Regions
Fresh fruits and vegetables	Mchicha, carrots, cabbages,	Tanga (Lushoto) and Dar es Salaam
Semi-processed	Sausage (Happy Sausage), liquid milk (Tanga Fresh), chicken (Interchick)	Arusha, Tanga, Dar es Salaam
Maize flour	Variety	Dar es Salaam

Rice	Variety	Dar es Salaam, Mbeya and Morogoro
Juice	Azam Juice (Bakheressa Food Companies)	Dar es Salaam
Cooking oil	Sundrop (Murzah)	Dar es Salaam

Source: Interview

Regarding the decision to buy from local suppliers, the interview shows that the retailer takes the following factors into account: the product must be popular, high-quality and requested by customers. The store serves most of the Indian community consumers in Tanzania. Most of the foods products are therefore imported from India or have to complement Indian cuisine culture. As a result, few local items are purchased. The respondent explains:

‘It depends on the items. We make selections for our items. We think for the customers and what is good for our areas’.

Furthermore, the interview shows that retailers may prefer to procure products which are known by the consumers. That means a company conducting marketing promotions to assist retailers to raise their profiles would be preferred and not retailers conducting marketing promotions for their products.

‘We have some criteria for the selection of a supplier. First of all.....it must be a known. A popular one means that people already know about the item. We don’t buy an item and starts to do promotion. We are supporting them by giving them a space, and they have to do promotion. We don’t stock something that customers don’t know’.

Lastly, there is the quality factor. For quality, Shop-N-Save, like the other supermarkets, relied on the certificates issued by the regulatory authority in Tanzania to verify whether or not the product is of high quality. The retailer has no internal means of verifying quality, but can only confirm whether or not the supplier has been registered with TFDA and TBS. Moreover, the interview shows that Shop-N-Save can reject a product if a consumer has complained about the quality of the product, even if that product has certificates from food regulators in Tanzania.

As in the previous cases, two factors appeared to have a strong effect in limiting Shop-N-Save to procure from local suppliers. These factors are quality and trade credit policy.

Due to its limited engagement with local suppliers, Shop-N-Save has no contract with them, and does not visit suppliers' premises. As the respondent explains:

'No, suppliers do not have contracts with us. No supplier has a contract. Why should I have a contract? There is no need for a contract. When you are bringing your goods to us in good numbers at any time that is a contract to us. I do not think we need contracts between suppliers and buyers. Mutual contracts, I can say, yeah. If we agree there, that's okay, but there is no written contract. When you are doing business, you need to make things move. So if you complicate things like that, you cannot do business here. You have to concentrate on business, and not paperwork. We need to concentrate on our business. They are also happy, that's why they come. We do not have contracts with any of our suppliers'.

The respondent also informs me that Shop-N-Save uses frequency of delivery to measure suppliers' commitment and confidence in the goods that they supply. Shop-N-Save also has a standing agreement with the local suppliers that once an item is not moving, the supplier will be ready to withdraw it from the market. As the respondent puts it:

'The supplier has to show confidence in his product to me. That is, if there is no sale, I will take it back. Because it's a new product to me, so there is no need for me to wait for so long. There is no need to meet while the product is not moving. We do not have time to meet'.

5.5: Case 5: TSN Supermarket

5.5.1: Background

Tanzania Standard Supermarket (TSN) is a family company owned by a Tanzanian businessman Mr Farouq Baghoza. The chain store is a subsidiary of the TSN group of companies, which includes TSN petroleum, distributors and logistics. TSN Supermarket started as a distributor of imported consumer products from the UK. Mr Baghoza's hope was to one day seeing every child in Tanzania be able to consume a high quality product at affordable price.

In 2008, following the closure of one of the Shoprite Supermarket stores at MayFair Plaza, TSN bought facilities to open their first stores at Bamaga in Sinza in Dar es Salaam. Currently, TSN has

seven stores, six of which are in Dar es Salaam, and one of which opened in Mwanza in 2016. The business is also planning to open its eighth store in Dar es Salaam at Kigamboni and Sinza Mori.

With the slogan: 'Tanzania sisi ni nyumbani' (Tanzania is our home), the chain store has planned to open more stores in other towns, like Tanga and Morogoro.

The chain store reportedly employed 1,000 employees in its seven stores in operations. TSN has been involved in different sponsorships such as sports and women events. In spite of its progress, the company faced some challenges with the government. For example, on 14 December 2015, it was charged with a tax evasion claim of the amount of Tsh 218, 176,077, which threatened to close one of its stores in Dar es Salaam.

5.5.2: TSN Supermarket's Perceptions of Food Retail Management

The respondent at TSN agrees with the views expressed by the previous respondents, i.e., that the acceptance of trade credit, the availability of local food suppliers and lifestyle changes are the main factors that have shaped the evolution of modern food retail trade in Tanzania. The respondent explains the process in this way:

'I can say that these regions have a good number of suppliers that dare to work with supermarkets like us. For example, in Dar, youth have engaged in farming. Now youth are buying plots outside of the city, like in Bunju, Minaki and Gongo la Mboto and Chanika. In those areas, there are poultry farms and gardens with varieties of vegetables. From those plots, we can get supplies to our stores every week'.

Regarding the impact of lifestyle changes, he remarked that during the initial stages of the evolution of supermarkets, consumers thought that the new mode of food distribution was only for the well-off. But this has changed. He explains the situation today as follows:

'There is a desire for Tanzanians to understand that supermarkets are for them. We Tanzanians had no culture of shopping at the supermarket. We were thinking that those places were for the 'have' class or just for the status quo. But later on, we came to understand that these places are for everyone and advertised that the supermarket is just a shop, and that anyone can get in and find what to buy'.

‘The prices are the same as at the Mangi or Wapemba shops. Then the awakening comes. Myself, I was afraid to go to supermarket before..... we started this business in 2008. But before that, we were thought that the prices in supermarkets were twice as much as at corner stores’.

Another determining factor is return policy, which was introduced by TSN. In developing economies and in Tanzania in particular, food distribution is dominated by informal sectors that include hawkers and street food v and roadside vendors. These food sellers are convenient and consumers have the opportunity to bargain for the price.

The respondent also drew my attention to the fact that consumers have no means of returning damaged or low-quality food items to traders at the open market, which is as a competitive advantage for modern food retailers. In other words, the policy of allowing shoppers to return items that have been bought from modern food retail stores has made modern retailers attractive to customers, and has accelerated the changes in consumers’ approach to modern food distribution in Tanzania.

5.5.3: TSN Supermarket’s Engagement with Local Food Suppliers

TSN supermarket buys about 65 per cent of its food products from local food suppliers. These items include milk and its products, tomatoes, fresh vegetables such as local spinach, cabbages and onions and beef and chicken meats (see Table 5.5). Some of chicken sold are in the form of retailer-own-label (i.e., TSN Fresh Chicken) and by Interchick located in Mbezi. In addition to these items, TSN buys cooking oil from local suppliers, which include Sundrop, produced by Murzah Oil of Dar es Salaam; wheat and Azam juice. The retailer directly imports food and other consumer goods from the UK.

Table 5.5: Some of the typical local food products sold at TSN stores

Items	Products	Regions
Fresh vegetable and fruits	Mchicha, carrots, cabbages,	Tanga (Lushoto) and Dar es Salaam
Semi processed	Sausage (Happy Sausage), liquid milk (Tanga Fresh),	Arusha, Tanga, Dar es Salaam

	chicken (Interchick)	
Maize flour	Variety	Dar es Salaam
Rice	Variety	Dar es Salaam, Mbeya and Morogoro
Juice	Azam juice (Bakheressa Food Companies)	Dar es Salaam
Cooking oil	Sundrop (Murzah)	Dar es Salaam

Source: Interview

Three factors motivated TSN to source from local markets: consumer requests, food quality and non-tariff barriers. According to the respondent, customers that buy from TSN would like to buy locally produced fresh fruits and vegetables. Since the supermarket does not want to deal in these items directly, it has rented floor space to local suppliers who will want to sell their items from the stores under specific conditions. The conditions include the suppliers' willingness to bear all costs related to the sales, while TSN will have nothing to do with price setting. The retailer's responsibility is to sell the items that are supplied by the supplier and pay the supplier on the basis of the items sold. If the items get spoiled or have not been sold, the supplier must agree to bear the related costs. The respondent explains the policy this way:

'I think the major reason is that we like to see Tanzanians consume products that are fresh for their health. In fact it's a motivation of both the company and our customers, many of whom have white-collar jobs. After working hours, most of these consumers would like to eat something fresh'.

The chicken sold at TSN must be slaughtered and treated according to Islamic guidelines, hence the introduction of TSN Fresh Halal Chicken. Again, the respondent explains the underlying reasons for this decision as follows:

'Due to the high demand for fresh products, we have established TSN Butcher. It's an in-house butcher that is under our control. And we have started poultry keeping for our stores. Our poultry farm is at Bunju in Dar es Salaam. Therefore, our own capacity combined with Interchick and other

suppliers should satisfy our consumers. Our brand is known as TSN Fresh Chicken. It is designed to give mileage to our company, and TSN Fresh Chicken is a good move for our brand image. Our plan is to have everything within the TSN brand’.

Product assortments in the different TSN stores are selected in response to the target consumers that the store serves. Thus, its store at Bamaga, Sinza ward in Kinondoni district in Dar es Salaam, which serves local Tanzanians, stock a lot more local food items than the Mikocheni stores in the areas where most foreigners reside. The expectation is that the percentage of local items sold at TSN will rise as the company opens more stores, because these new stores are likely to be located in areas where local Tanzanians live.

The respondent further informs me that the challenges of applying for permits to import some food items, including chicken, and the cost of delays at the ports have also encouraged them to source these items from local suppliers. Here is what the respondent has to say about delays at the ports:

‘Yes, yes, that what am telling you. If the cargo can stay for more than a month, what do you expect? We have been importing many goods from the UK. But when they reach the yard, we have to throw them away..... On average, per year, this can amount to a loss Tsh 200 million, due to delays at the port. Most of the time, we have to discard our goods. Cargo can stay at the port for two months, so some goods can reach at the store within a few days of expiration date. So you have to destroy them’.

Despite TSN’s desire to source some of its items locally, the retailer is faced with quality challenges. The respondent explains the situation in this way:

‘A major challenge is standards.....You know, entrepreneurs are covered by one institution, it is called..... SIDO!.....SIDO has carried them as a guarantor to TBS. Therefore, when you are with SIDO, TBS cannot ask anything.....Therefore, these processors under SIDO can produce anything, such as flour and the like. TBS does not question them, because they are under SIDO. But SIDO is only involved in training them. TBS has to do this job for these firms even though they are producing flour and Kashata. I don’t believe our product will be of high quality’.

5.5.4: TSN's Supplier Selection and Support Services

Like the other supermarkets in this study, TSN relies on legal certificates for the selection of local food suppliers. The respondent references the penalty that can be levied once a retailer is caught selling noncertified food items as a major deterrent against the selection of suppliers without TFDA, TBS and TRA certificates. One also risks the items being confiscated and destroyed by the authorities.

TSN also pays attention to quality in the selection of local suppliers, using the manner of packaging and declaration of ingredients used in processed food items and indicators of quality. Another method used by the retailer for food quality is consumer feedback. As the respondent explains:

'We don't have our own standards; we are using TBS standards. Okay we do believe that any high-quality product has to be certified by TBS. Therefore, the TBS certificate is a must. Yes it's possible for someone to have a TFDA certificate and to be rejected by TSN, because TFDA are not checking the packaging'.

Furthermore, as noted above the acceptance of no loss-sharing by the domestic food suppliers can influence retailers to work with the domestic supplier. This means that TSN does not carry any costs related to any losses that the supplier may incur selling its products in their stores.

The other important selection criterion is reliability. Reliability has been seen as quality, volume, and ability to deliver. TSN works with firms with the capacity to meet the market for goods whose demand is increasing rapidly. That means that a supply has to be ready in a timely fashion. As I argued above, retailers would like to work with suppliers who accept trade credit.

The type of support TSN provides to local food suppliers is similar to that provided by the other retailers discussed above. TSN differentiates itself from those other retailers by providing transport facilities to suppliers that have good quality products and the capacity to deliver, but lack their own means of transport. This allows the suppliers to concentrate on production and leaves the logistics to TSN.

5.5.5: TSN's Supplier Relationship Governance Mechanisms

In terms of relationship governance, TSN does not differ from the other retailers in any significant manner. It signs contracts with suppliers, but does not rigidly enforce the provisions in those

contracts. The respondent did, however, indicate that suppliers can be delisted if the supplies are frequently delayed or if they fail to supply after certain period. For fresh food, TSN staff can visit the supplier's premises to see if processing is done in a hygienic manner. However, visitation is more for to observe slaughtering process, which indicates that food processing companies adhere to Islamic doctrine. This is how the respondent explained the policy:

'Of course, for the meat, the big thing is adherence to Islamic doctrine during the slaughtering process. Slaughtering is very important. Therefore, for us, TSN, we must be satisfied that the process has adhered to Islamic doctrine. As I said before, we have to visit these suppliers'.

5.6: Case 6: Panone Supermarket

5.6.1: Background

Panone Supermarket is a Tanzanian family business owned by Mr Patrick Ngiloi Ulomi. This modern food distribution company is a subsidiary of Panone Petroleum, whose other business are lubricant, logistics and, starting recently luxury hotel.

The company has 12 stores, with 10 stores located in Kilimanjaro and Arusha, and 2 in the Coast region. The business was started in 1998 in the Mkuranga District before it shifted its concentration to the northern regions of Tanzania.

The stores are located within petroleum filling stations. Recently, it has engaged in the tourism business by constructing luxury hotels. The chain store therefore locates close to the site of the luxury hotel in the Arusha. This gives Panone a competitive advantage as the owner of the building.

5.6.2: Determining Factors in the Rise of Modern Food Retailing

Panone's respondent singles out two factors are the most important in the development of modern food retail outlets in Tanzania. These are the availability of suppliers and the acceptance of trade credit by suppliers. In his opinion, most of the private companies that emerged in Tanzania in the mid-1990s after Tanzania embraced liberalisation and privatisation policies contributed to the increase in both food processors and availability of consumer goods. He also suggested that the acceptance of trade credit by suppliers has reduced the working capital of retailers. This has allowed locally owned modern food retailers to enter the business. As a result, 30 to 40 per cent of the food

items that Panone sells come from local suppliers. As in the previous cases, however, the conditions of payment may also keep some suppliers from doing business with Panone. Suppliers who do not have sufficient funds to support their businesses are not willing to sell on credit. As the respondent puts it:

'Yes, we are buying local food items, we are buying Sunkist wheat flour, and Joshua product supplies us with spices and milk products from Denum..... I can say about 30 to 40 per cent of the sold products sold in our stores are processed locally. We have products like Sunola cooking oil and Singida Fresh sunflower cooking oil. We have Monaban brand of wheat flour for our bakery'.

He also explains Panone's payment policies as follows:

'Our credit policy depends on the product; for example, wine is not a fast-moving item. Therefore, if you supplied wine to me, I could pay after 30 days. It depends on the agreements we have with suppliers. Suppliers of imported product are pushing for their items to penetrate at the market through longer credit period than local suppliers. So, that one depends on the suppliers'.

The credit policy appears to partly account for the high ratio of imported items in Panone's outlets. The respondent has this to say:

'For example, I like to work with suppliers with credit terms. So you find that some local suppliers cannot afford that Importers push their products at our market, so they give us better credit terms than local suppliers. Local suppliers say, I can't give you that on credit because my working capital is not good'.

5.6.3: Panone's Engagement with Local Food Suppliers

The types of items that Panone buys from local suppliers depend mainly on what consumers would like to buy. As shown in Table 5.6 shows, some of the typical foods sold in Panone's store are maize flour, rice, juice, cooking oil and milk. There is a major demand for processed food in Dar es Salaam. In certain situations, Panone's management has been willing to pay cash for these items in order to meet customer requests. These decisions sometimes result in losses to the supermarket. As the respondent explains:

'Because consumers ask for items, you know that once a consumer does not buy it from you, he can go to your competitor. If only one customer finds what he is looking for, he can find more items from our store. But he also can inform other people about our services and the availability of the

various products at our stores. We are trying to stock as many of the items customers are looking for as possible’.

Table 5.6: Typical locally processed foods sold at Panone Supermarket

Items	Products	Regions
Semi processed	Liquid milk (Tanga Fresh), Denum Milk Chicken (Interchick)	Arusha, Tanga, Dar es Salaam
Maize flour	Variety	Arusha
Rice	Variety	Dar es Salaam, Mbeya and Morogoro
Juice	Azam Juice (Bakheressa Food Companies)	Dar es Salaam
Cooking oil	Sundrop (Murzah), Singida Fresh	Dar es Salaam

Source: Interview

5.6.4: Criteria Used by Panone Supermarket in the Selection of Local Suppliers

There are also situations when the supermarket has to drop local suppliers, either because their items are of unacceptable quality or because consumers are not familiar with the items due to inadequate marketing efforts by the suppliers. The respondent gave the following example:

‘We used to stock Monaban maize flour, but we dropped it because the product was not moving. You have to understand that when you stock an item and it’s not moving, it means that a supplier has not focused much on marketing the item. We simply remove that item. In short, most of local processors don’t invest in marketing their products, by doing things such as locating them at gondola ends. You have to understand that when you supplied to a supermarket, you the suppliers, and you should support retailer in how to market those items’.

Packaging is also a very important factor considered by Panone Supermarket. Packages must clearly

display expiry dates for the items, the address and other relevant contact information of the supplier, ingredients used in processing the food item and the TBS mark. As I argued previously, food distributors in Tanzania are guided by the laws of TFDA and TBS. Items that are not approved by these agencies cannot be sold in Tanzania.

The interview also shows that Panone Supermarket would like to work with local suppliers who are reliable. Panone sees reliability in terms of the supplier's ability to deliver goods to the retailers' premises. The supplier's own delivery would reduce hassle on the retailer's and allow them to concentrate on other activities. The second element that contributes to reliability is the availability of goods at single-food suppliers. Panone Supermarket would like to source from a supplier with a wide range of products, which could reduce the number of steps the retailer needs to take during the procurement process. That means for local firms to be accepted as suppliers, they have to produce a number of products.

In addition to the issues of reliability, Panone is a relatively small supermarket, and is not willing to bear the cost of employing its own nutritionist. For this reason, it does business with suppliers that can provide a nutritionist (or merchandising officer, as they are called) to answer questions that customers may have about their products.

The respondent indicates that the support Panone provides its local suppliers is similar to that provided by other supermarkets in the country- i.e., free space to sell food items and payment before the expiration of the credit date where possible. It does not support the suppliers in acquiring financial, technological and managerial skills. The interview also shows that the retailer would like to have short relationships with food suppliers.

5.7: Case 7: Imalaseko Supermarket

5.7.1: Background

Imalaseko Supermarket Investment Limited is a family business owned by Mr Jumanne Kibera Kishimba, a standard seven leaver with extensive business experience in a number of African countries including Botswana and Zimbabwe. Mr Kishimba has also invested in cotton ginneries and real estate.

The company started in 1980 and dealt with the importation of consumer goods from Kenya

through Lake Victoria to Mwanza. Following the success of the business, Mr Kishimba opened Imalaseko Supermarket in 1998 at Pamba House in Dar es Salaam. The first private retail company owned by local investors in Tanzania since the introduction of liberalisation in 1985, the firm grew to five outlets, with four in Dar es Salaam and one in Mwanza.

In 2009, one of the outlets at Kariakoo in Dar es Salaam closed due to poor location and losses. The store was located at the business satellite of Tanzania, where there is significant competition with hawkers and other convenience stores, which sell products at a relatively low price. Another reason for the closure of the store was that it was robbed of Tsh 20 million in 2012.

Currently, Mr Kishimba is a Member of Parliament through the ruling part (Chama cha Mapinduzi) of the Kahama constituency after the 2015 general election. Moreover, the owner of Imalaseko has been involved in a number of donations organised by different organisations. For example, in 2013, Mr Kishimba donated Tsh 15 million to the Mkapa Foundation, which fights AIDS/HIV in Tanzania. The foundation's chairman is the third President of Tanzania, Mr Benjamin William Mkapa.

5.7.2: Imalaseko's Engagement with Local Food Suppliers

The interview shows that Imalaseko buys about 15 per cent of the food it sells from local food processors, especially those located in and around Dar es Salaam. Furthermore, the retailer prefers to buy local food items from distributors or wholesalers. This means that nearly 85 per cent of the goods it sells are imported, mainly from South Africa. Table 5.7 shows that typical examples of processed foods that are sourced locally are cooking oil, nutritious foods, maize flour and rice.

Table 5.7: Typical foods sourced locally by Imalaseko

Items	Products	Regions
Fresh fruits and vegetable	Mchicha, carrots, cabbages	Tanga (Lushoto) and Dar es Salaam
Semi-processed	Sausage (Happy Sausage), liquid milk (Tanga Fresh), chicken (Interchick)	Arusha, Tanga, Dar es Salaam
Maize flour and nutrition	Variety	Dar es Salaam

Rice	Variety	Dar es Salaam, Mbeya and Morogoro
Juice	Azam Juice (Bakheressa Food Companies)	Dar es Salaam
Cooking oil	Sunflower cooking oil (Singida), Korie, Sundrop (Murzah)	Dar es Salaam, Singida

Source: Interview

5.7.3: Criteria Used by Imalaseko Supermarket in the Selection of Local Food Suppliers

Again, health awareness and the acceptance of trade credit have been mentioned as factors that motivate Imalaseko to buy local food items. For example, Imalaseko's shoppers consider imported cooking oil to be as unhealthy because it is not based on natural plant seeds and may contain some additives that are injurious to health. This consumer's awareness has increased the demand for locally made sunflower cooking oil from Singida and other parts of the country.

Basically, Imalaseko Supermarket prefers to buy local food items from distributors and not from food processors due to the relatively small scale of the items sold. Additionally, to this while the local distributors from which the items are bought accept credit; the local processors are not willing to sell.

The respondent explains the relationship as follows:

'.....we have agreed that small-scale suppliers will be paid after their consignment. If your consignment is finished, you can get your pay and then bring more goods.....Your product has to be sold! Because I cannot use sugar money to pay you while your goods are not moving. If you have sold it all in one day, I will pay your, if you have sold one item and you want it, you can get that one'.

He continues by saying:

'Suppliers of vegetables have to bear all losses due to damage or shrinkage. We are on the safe side, that's why we don't sign contracts, with them, because in most cases we buy goods on credit. I

have given you a space to do business, so make sure your items are of high quality.....'

One of the criteria for the selection of local food suppliers is the acceptance of no cost-sharing by the Tanzanian suppliers. These criteria seem to be more important to suppliers of fresh products than of processed foods. Replacements are important for the fresh products like local spinach (mchicha), tomatoes, carrots and cabbages.

Another factor that is considered important in the choice of local supplier and their items is the taste and odour of the food items. This is tested by a staff member, while the retailer takes a sample trial. The firm has no food technologist for food testing. However, quality is judged based on the submitted certificates from TBS and TFDA.

Apart from fresh food items and cooking oil, Imalseko's customers appear to prefer imported items to similar local items, because they consider them to be of better quality. This is the case, for example with local honey, which is sold in re-used bottles without labels indicating the production process, ingredients or expiry date.

Trust is very important in the supplier-retailer relationship. The study shows that Imalseko Supermarket starts with products trial to establish relationship with local food suppliers. The retailers do not have a contract with local food suppliers. Instead, the retailer starts by ordering a small consignment as a trial to establish trust with food suppliers. The supermarket also does not provide any support to the local wholesalers from which it buys.

5.7.4: Mechanisms used by Imalseko Supermarket in Governing Supplier-Retailer Relationships

Like the other six supermarkets, Imalseko Supermarket does not make formal contracts with local suppliers. It governs its relationships through trust and frequency of delivery. The respondent explains the relationship as follows:

'No we do not have contracts with our suppliers. Once you have failed, someone can replace you. We are on the safe side because we do not have contracts with them, because in most cases we procure goods on credit'.

In general, Imalseko assumes that acceptance on trade credit and return policy by retailer is a mutual contract that needs to be maintained.

5.8: Summary

The chapter has presented within-case analyses of the nine retailers found in Tanzania. Brief description backgrounds of each company were presented. The five major issues discussed within-cases are: (1) Perceptions of the factors underlying the development of food retailing in Tanzania, (2) Relationships between retailers and local food suppliers, (3) Criteria used by retailers to select local food suppliers, (4) Types of support retailers provide to local food suppliers and (5) Mechanisms used by retailers to govern relationships with local food suppliers. With the goal of presenting the views of each respondent, all five issues were thoroughly presented within each case. Nevertheless, in some cases, to avoid repetition issues in previous cases were referenced. Therefore, in this chapter, only findings from single cases were presented, and in the next chapter (Chapter 6), I will provide a comparative discussion across cases.

Chapter 6: Cross-Case Analysis of the Food Retail Business in Tanzania

6.0: Introduction

In this chapter, the selected cases are studied collectively. The findings from the within-cases analyses provide an understanding of the factors that accelerated the growth of modern food retailing in Tanzania. This multiple cross-case analysis approach has been employed to match, assess and contrast the data presented in Chapter 5. The analysis is further supplemented by secondary data from multiple sources. The discussions are structured around the following five issues from the analytical framework in Chapter 4:

1. Motives underlying the establishment of modern food stores in Tanzania,
2. The extent to which retailers do business with local food suppliers,
3. The criteria they use in selecting local suppliers,
4. The type of support they provide to local suppliers in order to improve their performance and
5. The mechanisms they adopt to govern their relationships.

6.1: Factors Accounting for the Rise of Modern Food Retail in Tanzania

Table 6.1 shows a comparison of the variables that emerged as strong determinants of the development of modern food retail in Tanzania. The discussion starts with first commonalities and then differences among the case companies.

Table 6.1: Determinant factors for the rise of modern food retail

Attributes	Modern food retailers						
	Nakumatt	Uchumi	Game	TSN	Shop-N-Save	Panone	Imalaseko
Innovation	√	√	√	×	×	×	×
Lifestyle	√	√	√	√	√	√	√
Suppliers' availability	√	√	√	√	√	√	√

Institutional support	√	√	√	×	×	×	×
Administrative reasons	√	√	√	×	×	×	×
Acceptance of trade credit	√	√	√	√	√	√	√

6.1.1: Commonalities Across Seven Food Retailers

Table 6.1 shows that respondents from both international and local supermarkets agree that three major factors account for the evolution of modern food retail in Tanzania. These are: availability of suppliers, acceptance of trade credit and changes in lifestyle. The emerging understanding is that one of the challenges to modern retailers in Tanzania has been the availability of local suppliers. There are several reasons for this. First, I argued earlier that Tanzania is one of the African countries with a red tape system and procedures that limit the importation of food. To import food in the country, you are required to have a permit from the Ministry of Agriculture, the Ministry of Industry and the Ministry of Health and Social Welfare. Simply put, there are numerous non-tariff and tariff barriers to importation. Therefore, the availability of local food suppliers means that retailers have another opportunity to source from local markets and at an affordable cost, at contrast to the problems associated with the importation. Second, the underdeveloped nature of infrastructure in the country, including the transport system, rendered it difficult to receive imported consumers' goods on time. That means that modern retailers have one major option for securing supplies, and that is working very closely with local suppliers. The suppliers were initially reluctant to work with retailers due to the new rules introduced by retailers. The new rules are trade credit and return policy. Simply put, Tanzania food business experienced a buyer-driven supply chain. The local suppliers grudgingly accepted the conditions of payment imposed by the supermarkets. This allowed retailers to concentrate on other investments and sell space to the suppliers. Secondary data corroborates the interview findings on the impact of the acceptance of trade credit on the evolution of modern food retail in the East Africa region. The newspaper The Independent had to say this on the subject:

'Food prices have been high indeed, and this has been a challenge for us. Our solution was to keep prices low and to focus on value chain optimization. In doing so we have kept our customers happy and our company growing. It is true that some supermarkets take a long time to pay, and that is a major challenge, especially in times where bank-lending rates are high. This affects the rate of

expansion of our business. But we are happy to play ball', (The Independent, 2013).

As the number of local suppliers and the diversity of the food items they supply to modern retailers increased, their role in the development of the modern retail system increased. This investment in the sector at the upstream level increased the availability of supplies from local markets and reduced the loss to retailers and the costs associated with importation of foods. The interviews and secondary data show that retailers and food processors also invest in value addition to increase the availability of goods to consumers at the market.

Poultry-keeping has been one of the areas that seen the increase of investment by private retailers and suppliers. The interview with a TSN procurement officer shows that the retail chain invested in poultry-keeping and introduced its own brand for the chicken meat called TSN Fresh.

'Due to the high demand for fresh products we have established TSN Butcher. It's an in-house butcher that is under our control. And we have started poultry-keeping for our stores. Our poultry farm is at Bunju in Dar es Salaam. Therefore, our own capacity, combined with Interchick and other suppliers should satisfy our consumers. Our brand is known as TSN Fresh Chicken. In reality, this is designed to give mileage our company, and TSN Fresh Chicken is good for brand image. Our plan is to have everything within the TSN brand'.

Secondary data show that food processors are investing in agribusiness upstream activities to meet the rapidly rising market demand for modern food retail in Tanzania, and in Africa more broadly. The argument is that having shopping malls without supplies renders them meaningless to retailers. Therefore, the evolution of the sector has to be similar to the investment in food processing and distribution. Information from Reuters (2015) shows that Fanisi Capital has invested US\$50 million in agribusiness value addition activities in Kenya, and through its subsidiaries, the company has supplied a number of modern retailers such as Uchumi and Nakumatt. Furthermore, Fanisi Capital bought an undisclosed stake in Kijenge Animal Product in Arusha, Tanzania, which amounted to US\$ 6 million. Kijenge brought animal-produced products like animal feeds, maize flour and chicken which are sold to Nakumatt, Uchumi and other retailers in Tanzania.

The Fanisi Capital Managing Director has this to say:

“Retailers can also face problems stocking shelves”, said Ayisi Makatiani, managing partner at Fanisi Capital, a \$50 million private equity fund. “It is one thing to build beautiful supermarkets.

The other thing is, can you get goods, constant supply of eggs? Can you get goods, a constant supply of quality vegetables?" he said. Fanisi has invested in a food distribution business and a meat processor in Kenya to fill that supply gap' (Reuters, 2015).

The founding chairman of Kijenge Animal Products, Mr Andrew Mollel, was reported to have said the following to the East African:

'Having talked to a number of private equity funds over the years, we felt that Fanisi was the right partner for us. This partnership provides us with growth capital which will enable us to diversify our product offering and further support our customers' needs,' said founding chairman Andrew Mollel' (The EastAfrican, 2015).

Lifestyle change is one of the major factors that have led to the development of modern food retail in Tanzania and Africa in general. This change in lifestyle has influenced consumers to migrate towards modern food retail stores in Tanzania. Secondary data shows that consumers of different classes visit modern stores in Tanzania. This was caused by: return policy, convenience, constant price and the under-one-roof strategy undertaken by modern food retailers and purchase point.

Return policy, introduced by modern food retailers, increased the number of visitors in modern retail stores in Tanzania. Transactions with kiosks or hawkers in Tanzania limit the opportunity for consumers to return any defective products. Structural factors associated with the change in lifestyle also contributed to consumers from different social strata visiting modern food retail stores in Tanzania. The lack of physical addresses for hawkers and the difficulty of verifying of kiosk owners because they do not issues receipt or even scan the bar code number of the items sold were two of these factors.

Both international and local retailers agree that acceptance of trade credit by local food suppliers enables them to work with suppliers from within the country, which helps with challenges of product availability. Previously, I argued that food distribution in Tanzania is dominated by suppliers, which means that accepting new terms introduced by retailers on trade credit was a very important stage for the evolution of the sector in the country.

6.1.2: Some Differences Across the Seven Food Retailers

Table 6.1 shows that international and local retailers differ on how they see factors that accelerate the evolution of modern food retail in Tanzania. In general, international retailers view institutional support, innovation and administrative reasons as strong factors in the evolution of modern food

distribution in Tanzania.

Institutional support

The international retailers (Game, Uchumi and Nakumatt) see institutional support as an important factor in their establishment and growth in Tanzania. Aspects of institutional support highlighted by the international retailers include: training in issues relating to food laws, hygiene flexibility within the laws and regulations and a crackdown of the hawkers. Training services provided by institutions such as Tanzania Food and Drugs Authority (TFDA), Tanzania Bureau of Standards (TBS), and Small Industries Development Organisation (SIDO) enable an increasing number of local food suppliers to meet the country-set food standard followed by modern retailers. Furthermore, TFDA and TBS have special schemes to facilitate small-scale enterprises to acquire certificates and training on food standards under the donors' support. Through these initiatives, many SMEs gain access to the standard market and TFDA certifications, which enable them to produce and sell their food items to modern food retailers.

During the early stages of the development of the modern food retail sector in Tanzania, retailers followed the food standards and regulations in order to avoid being penalised by TFDA and TBS. That means that they did not buy from non-certified suppliers. In order to enforce the institutional regulations, retailers were required to provide certificates of food inspection from TFDA and TBS in order to sell imported food at the Tanzania market. Some of the foods items processed locally as well as some imported ones were not in the standard list, however. Furthermore, institutions were overwhelmed due to a low number of staff. That led to the signing of mutual agreement between retailers and institutions on the number of goods that would be imported, and allowed them to trade on these items without passing through TFDA for the normal online certification process.

Local food retailers do not consider this to be that important. This is perhaps due to the notion that local retailers seem to understand the business environment more than their counterparts. Local retailers also rely on agencies and distributors of imported food items, compared to international retailers, who continue with their home country relationships. For example, Game Supermarket still imports most of its products directly from South Africa. In this regard, in their process has received a lot of support from government institutions.

Innovation

The international retailers have also indicated that the innovative marketing strategies they have introduced have had some impact on the increasing popularity of supermarkets among consumers from all walks of life. Initially, modern food retail was perceived to an outlet for people with high incomes living in major cities. However, retailers introduced loyalty cards, through which consumers can earn points that can be redeemed into the purchase of certain commodities in stores. The earned points are not transferred into cash. It is common knowledge in the country that consumers from low-income groups make use of their points to purchase basic food items such as sugar and bread. The Nakumatt branch manager that I interviewed explained the importance of the loyalty cards this way:

‘Consumers who visit our stores daily are getting a lot of benefits. Because every day we have promotion and, therefore, they come across those opportunities. For example, now we have one thing known as smart shopping-have you seen that one? If you have come across smart shopping, that’s good. So those consumers who are visiting our stores are getting some points. Now, there will come a day when he or she is broke and can tell us, Hello, I need to redeem my points for sugar. We can redeem them, and he can get sugar’ (Interview: Nakumatt Branch Manager).

The importance of marketing innovations for general consumer patronage of supermarkets is readily acknowledged in other countries in the East African region, where Nakumatt also operates. The following quotes from some of the popular newspapers provide evidence to this effect in Uganda:

‘Kakuru says Capital Shoppers is making a deliberate effort to serve their clientele better by locating their branches strategically. “Most of our branches are located where there is secure and sufficient parking space, so that customers have peace of mind while shopping”, he says. He further says that the customer loyalty programme, where clientele are given cards on which they can redeem points whenever they shop above a certain amount of money, is a major plus for their customers. Other players in the retail business also have such cards, but their rewards are more competitive’ (New Vision, 2014).

‘Other supermarkets such as Uchumi, Shoprite and Quality also have a similar system, but Capital Shoppers beats them on the rewards. For instance, a customer will get up to a 4% discount on every UShs 5,000 spent. Other players in the market are offering discounts of between 1.5-2% - half that of Capital Shoppers’ (The Independent, 2014).

It is interesting to see that local food suppliers do not consider innovation to be one of the factors accelerating the evolution of modern food retailing in the country. This is perhaps associated with the investments required for those technological innovations, such as loyalty cards.

Other factors not emphasised by respondents

Journalistic reports and previous studies in Tanzania suggest that the availability of premises to rent is also an important factor that has stimulated the development of the retail industry. The evidence shows that retailers go where there is property boom. For example, Uchumi moved its operations to Moshi in 2015 after more than five years of operation in Tanzania, with only six stores in Dar es Salaam. Uchumi expanded to Moshi when it was able to sign a deal with the NSSF to rent its new shopping areas, one of those being the Moshi Shopping Complex. Jonathan Ciano, then the Executive Director of Kenya's Uchumi Supermarkets, told Reuters that sometimes, the slow pace of shopping mall developments makes it harder to capitalise on growing prosperity among consumers.

'If someone exceeds the timelines, my growth is heavily affected, and alternative developments come up, so the area becomes less lucrative, yet you are already committed'. (Reuters, 2011)

Furthermore, a Reuter's journalist explained the importance of this factor as follows:

'The dearth of malls in Africa has hampered the sub-Saharan expansion of Massmart, Shoprite Holdings and other big South African retailers. Massmart still has only 29 stores outside its home market, though it is in talks to take a majority stake in Kenyan supermarket chain Naivas a deal that would give it a foothold in east Africa's top economy. "Access to suitable store sites is a key area of focus for retailers around the globe. This is sometimes more challenging on the African continent' said Brian Leroni, Massmart's corporate affairs executive. (Reuters, 2011)

' We are not in the property business; we prefer to be tenants in shopping malls, but there are few of those around, and so we'd build our own stores in strategic locations', said Neil Schreuder, marketing director at Shoprite. (Reuters 2011)

In sum, the above discussions help provide an answer to the first research question: What are the key factors driving the development of modern food retail in Tanzania? Evidence presented in the section suggests that six factors account for the development of the retail sector: innovation, lifestyle changes, suppliers' availability, institutional support, administrative reasons and acceptance of trade credit.

The availability of local food suppliers who are ready to work under the new policies introduced by retailers, such as trade credit and return policy, appears to have the strongest influence. This is followed by changes in consumer lifestyle. Change in lifestyle (due to an increase in income and education for most urban consumers) allows more people from all walks of life to accept both local and imported modern food items. It increased the demand for healthy and good quality food services that the wet shops and hawkers cannot offer. Administrative regulations and institutional support has also promoted the emergence of international retailers in the country.

For example, due to a cumbersome tax system in Tanzania, it is not common for international retailers to source timely products from their home market. Furthermore, retailers have mentioned training local food processors in food handling and storage to meet the quality standards required by laws (i.e., institutional support) as being highly important to their operations.

6.2: Extent to Which Modern Food Retailers Deal with Local Food Suppliers

Table 6.2 provides a summary of the extent to which individual supermarkets do business with local retailers. The following seven factors seem to influence the degree of engagement:

1. Consumer requests,
2. Government regulations,
3. Health awareness,
4. Demand for fresh products,
5. Government intervention,
6. Availability of local suppliers and
7. Acceptance of trade credit arrangements.

However, the findings do not show a uniform pattern: i.e., different retailers are motivated by different factors to procure food made by local food retailers. I discuss the factors below and the reasons that the retailers have given for their importance for international and local supermarkets.

Table 6.2: Factors motivating modern food retailers to procure from local food suppliers

Variables	Nakumatt	Uchumi	Game	Shop-N-Save	TSN	Panone	Imalaseko
Consumer requests	√	√	×	×	√	√	×
Government requirements	√	√	√	×	√	×	×
Health awareness	√	√	×	×	×	×	√
Fresh products	×	√	×	×	×	×	×
Government intervention	√	×	√	×	×	×	×
Availability of suppliers	×	√	√	×	×	×	×
Quality improvement	×	×	×	√	√	×	×
Trade credit	√	√	√	√	×	√	√

6.2.1: Commonalities Across Three International Supermarkets

Table 6.2 shows that two factors are common across international retailers in motivating them to buy from local food suppliers. These are government requirements and acceptance of trade credit.

International retailers have listed **government requirements** as the key factor that motivates them to buy from local food processors in Tanzania. The requirements referred to here are government regulations on food certifications, handling and standards. Furthermore, a government requirement that major retail stores procure a certain number of food items locally means that international retailers have to buy some of the items they sell locally.

Another factor which motivates food international retailers to procure from local food suppliers is acceptance of **trade credit**. Trade credit has been important factor to the retail stores like Nakumatt,

Uchumi and Game. In general, the interviews show that trade credit motivates retailers to source food from local food suppliers. It has recently been reported, for instance, that Uchumi Supermarket's shelves are empty after suppliers declined to trade with firm due to payment delays.

6.2.2: Differences across Three International Retailers

Consumer requests emerged as a strong factor used by Nakumatt and Uchumi, which Game does not consider. This may be due to the fact that Game is a new player in the food business, since the chain store was focused on home appliances business for a long time. But recently, since it was acquired by Wall-Mart, the store has included food in its stores in Tanzania. This shows that modern food retailers in Tanzania consider consumer choice to be a more important factor in their decision of which food item to stock. Judging from the share of local food items in total supermarket sales, it seems that Tanzanian consumers are not in favour of locally made food products. For example, according to the Nakumatt branch manager, the retail chain store procures 15 per cent of its food products from local suppliers.

Health awareness among local consumers has also motivated international retailers to procure from the local market. Table 6.2 shows that Nakumatt and Uchumi have also been motivated by consumers' health awareness to procure from local market. In general, interviews show that retailers procure cooking oil, chicken meat and vegetables from local suppliers because consumers are scared to consume imported versions of these items. For example, consumers in Tanzania prefer to buy sunflower cooking oil processed locally in Singida, because they perceive imported cooking oil as hazardous to their health. Similar findings in the secondary data show that the government banned the importation of chicken meat for the health reasons.

The Citizen a Tanzania's local newspaper reported:

'The ban on imported chicken was still being enforced to protect the country from the bird flu, a viral endemic to birds currently perceived as a significant emerging pandemic threat', said the then-Minister for Livestock and Fisheries Development, Mathayo David. (The Citizen, 2013)

The need to offer fresh products motivated Uchumi to procure from local food suppliers in Tanzania. Based on observation, Uchumi has set aside a larger space for a fruit and vegetable and fruits display in most of its six stores in Tanzania compared to other firms. In general, the reason for

the relatively small share of fresh produce appears to be the weak local supply base, rather than limited demand.

For vegetables and fruits, despite the fact that the share of modern retailing firms on fresh produce is very small, the interviews show that the reason for retailers to procure from local markets include perishability. Uchumi decided to procure from local food suppliers due to the perishable of the products, and consumer demand for fresh produce.

In 2002, the Tanzanian *government intervened* to rescue local food retailers after claims that modern food retailers do not procure food from the local market. Table 6.2 shows that Game and Nakumatt are motivated by government moves. This finding correlates with the secondary data that government intervention encourages modern food retailers to procure from local food suppliers. In general, I have argued that it is consumer request that motivates retailers to stock imported or domestically made food products in Tanzania. It appears from the evidence that government intervention may not increase the supply of local food items to the modern retailers if the consumers reject them. Uchumi seems to be influenced by this, perhaps due to long-term relationships with suppliers in Kenya and consumer preferences.

Availability of suppliers is another factor that seems to motivate international modern food retailers to procure from local suppliers. This appeared to be strong factor in Game supermarket. The store is estimated to source 40 per cent of its food from local suppliers. Interestingly, however, the store has maintained only one outlet in Dar es Salaam since its launch in 2006. Furthermore, Game introduced food section in 2014.

Quality improvement factor is not considered to be a strong motivating factor influencing international retailers to procure from local suppliers in Tanzania. The retail chain stores stocked more imported food from India, the UK, China and South Africa than they do locally processed food. Interviews show that, previously the situation was worse, but recently, due to the improvement product quality and training provided by government agencies, the rate food bought from local suppliers increased in many international supermarkets.

6.2.3: Commonalities across Four Local Food Retailers

Table 6.2 shows that, in general all four local supermarkets do not consider factors like the need for fresh products, government intervention or the availability of suppliers in their decision to procure from local food processors. Local retailers also do not find that the availability of local suppliers influences them to buy from domestic food processors. This may be due to the fact that most of these local retailers are also involved in food importation directly from the UK, South Africa and United Arab of Emirates. For example, TSN Supermarket has a TSN distribution company that deals with food importation from the UK.

6.2.4: Differences across Four Local Retailers

Quality improvement motivates some modern food retailers to procure from local suppliers in Tanzania. This was a particularly strong motivating factor for Shop-N-Save and TSN. For example, Shop-N-Save sources 15 per cent of its food products from local suppliers. The retail chain store stocks a lot more imported food from India, the UK, China and South Africa than it does locally processed food. The interviews show that, previously, the situation was worse, but recently, due to an improvement in product quality, the percentage of domestically processed food sold at the retailing stores reached 15 per cent. In general, the study shows that the improvement of the food quality is due to good work performed by TBS and TFDA in training and insisting that local food processors conform to standards. Through training, some local firms received certificates from TBS and TFDA after improving their food processing premises.

6.2.5: Constraints to Procurement from Local Food Suppliers

Table 6.3 provides a summary of the key factors that limit the participation of local food suppliers in the food retail business. The key factors for all seven cases are **poor packaging, government requirements and trade credit**. Packing materials industry as the supporting industry is not advanced in the country. This leads some of the food processors to reuse empty bottles. Modern retailers are unwilling to sell products that are not well packaged and have all required information on the packaging. Furthermore, to produce food in Tanzania, one has to have certificates from TFDA and TBS. In the case of meat, one has to have an additional certificate from a veterinarian officer in a particular district, which allows him or her to transport meat from one region to another. Getting certificates from TFDA and TBS to allow suppliers to start production in some cases may take more than one year. This red tape is what limits local food processors. There are huge penalties for dealing with local suppliers without certificates.

As noted earlier *trade credit* appears to be an important factor limiting modern food retailers from stocking a lot of food from local food suppliers in Tanzania. This is due to the fact that some of the local food suppliers don't see the modern food retail channel as profitable based on volume, and deserve to get products in trade credit terms. Furthermore, food suppliers in Tanzania were for a long time the drivers of the value chain with conditions on credit. The emergence of modern food distribution changed that, so that now retailers are the drivers of the value chain. This limits most of local food suppliers from participating in the industry.

Consumer requests for imported food also appear to be a very strong factor that has discouraged modern food retailers from buying from local food suppliers. This factor seems to be important to Uchumi, Shop-N-Save, Panone, Imalaseko and TSN. For example, Shop-N-Save was estimated to procure 15 per cent of their food from domestic food processors.

Limited *promotional efforts* also appear to contribute to the low level of local food suppliers' participation in the food retail industry. Retailers claim that local food processors do not advertise their products. This renders locally made products unknown to consumers who visit modern food retail stores, therefore, if they are not stocked by retailers. The suggestion is that the local food processors must use pull strategy marketing promotions to persuade consumers to ask for their products. The reasons for the limited promotion could be that most of local food processors are at the early stages of development and are characterised by the budget constraints.

Table 6.3: Factors limiting modern food retailers from procuring from local food suppliers

Variables	Nakumatt	Uchumi	Game	Shop-N-Save	TSN	Panone	Imalaseko
Poor packaging	√	√	√	√	√	√	√
Quality	√	√	√	√	√	×	×
Consumer preference for imported goods	×	√	×	√	×	√	√
Trade credit	√	√	√	√	√	√	√
Government requirements	√	√	√	√	√	√	√
Promotion	×	×	×	√	×	√	×

6.2.5.1: Differences between local and international retailers

Table 6.3 shows that local food retailers consider promotion of the product submitted to them by local food suppliers to be one of the factor that motivates them to buy from suppliers. Simply put, local retailers do not seem to support the marketing promotion of goods, which instead must but be performed by the food processors themselves.

International retailers, on the other hand, do not consider promotion the factor that keeps them from stocking product. This may be due to arrangements they have in some cases to allow food suppliers to participate in marketing promotions of their products through cost sharing.

Table 6.3 also shows that Uchumi as the only international retailer that stocks imported food due to domestic consumer requests, while three local food retailers (Shop-N-Save, Panone and Imalaseko) relied on consumers preference to stock imported food.

In sum, the analysis shows that modern food retailers' decision to buy from local food suppliers is influenced by consumer requests, government regulations, health awareness, fresh products, government intervention, the availability of suppliers, quality improvement and trade credit. Consumer requests are not important factors in modern food retailers' decision about whether or not to buy from local food processors. The interviews show that retailers tend to stock imported food based on consumer preferences. Tanzanian consumer preferences of imported goods appear to be determined by factors including quality, a lack of proper information regarding usage and ingredients used in processing.

6.3: Criteria Used in the Selection of Local Food Suppliers

Table 6.4 shows the criteria used by retailers in the selection of local food suppliers. The list is consistent with the factors discussed above: trade credit, government requirements, customer requests, reliability, return policy, price, packaging, promoted products, quality and Islamic doctrine.

Table 6.4: Criteria used by modern food retailers in selecting of local food suppliers

Variables	Nakumatt	Uchumi	Game	Shop-N-Save	TSN	Panone	Imalaseko
Trade credit	√	√	√	√	√	√	√
Government requirements	√	√	√	√	√	√	√
Customer requests	√	×	√	√	×	×	×
Reliability	√	×	√	√	√	√	×
Return policy	×	√	√	×	√	√	√
Price	×	√	√	√	×	√	√
Packaging	√	√	×	×	√	×	√
Promoted products	×	×	√	√	×	√	×
Quality	√	√	√	√	√	√	×
Islamic doctrine	×	×	×	×	√	×	×

6.3.1: Commonalities across the Seven Cases

The available evidence shows that all of the retailers prefer to use government documents as the verification of the qualification of the suppliers. This helps them avoid being penalised if caught selling food items that are not certified by government agencies such as TFDA and TBS.

Quality is also one of the important factors influencing retailers' selection of local food suppliers. In general, this factor is related to the two previously discussed factors, those being: legal certificates and packaging. This means that retailers rely on certificates issued by government agencies because they do not have their own standards.

6.3.2: Differences across the Seven Cases

International Retailers

Acceptance of return policy emerged as a strong criteria for two international retailers: Uchumi and Game. Return policy is a situation in which a supplier is required to exchange damaged or expired goods delivered to the modern retailers at the supplier's cost. That means that modern retailers are liable for the supplied goods once damaged or expired, no matter how long the goods have been at the retailers' stores. This practice seems to be in contravention of Chapter 24 of the Tanzanian Sales of Goods Act. The law stipulates that once goods have been sold, buyers have ownership and responsibility of them. However, this new form of doing business means that suppliers are still

owners, and retailers are responsible for space (i.e., display) only. In the long run, local food suppliers have to accept to trade under these new terms, because the industry is growing, and they may be marginalised.

Nakumatt and Game use customer preferences as a criterion for the selection of local suppliers that they want to deal with. These retailers would like to start with a small quantity of goods as a sample, and follow consumer preferences for particular products very closely to determine whether or not supplies be up-scaled. This practice appears to be consistent with other developing countries. Previous studies suggest that retailers in developing economies have relied heavily on consumer comments to make decisions when deciding whether to drop or continue to stock suppliers' products.

Factors such as reliability, price, packaging and promotion are all used to some extent by the different international retailers interviewed. Nakumatt and Game use reliability as a criterion for local supplier selection. The interview shows that Uchumi which claimed to be aware of this criterion but is quite relaxed in this approach to it due to infrastructure challenges. Furthermore, retailers claimed that what is important for them that suppliers share information on the reasons for delay of supplies with them. Furthermore, Nakumatt and Uchumi use *packaging* as a selection criterion. These retailers indicated that, in many cases, they reject suppliers not because they do not have legal certificates but because their packaging is not attractive. Again, *consumer preferences* are important here. The retailers are likely to be influenced by consumer feedback on the packaging of a particular product in their decision to continue to deal with a supplier or to the abandon its products.

Local Food Retailers

Finally, the analysis shows that *Islamic doctrine* is one of the important factors used by a single retailer in Tanzania in selecting of local food suppliers of animal products. This factor is used only by TSN. It is important to note that that Tanzania is a multicultural country and that a substantial proportion of its population is Muslim. That means that adhering to Islamic doctrine gives suppliers and retailers mileage over their competitors in reaching consumers of animal products.

Panone and Shop-N-Save use *promotion* as a selection criterion. These retailers insisted that local food suppliers advertise their products and be well known among consumers. Again, *consumer preferences* are important for only one local retailer, Shop-N-Save. The retailers are likely to be

influenced by consumer feedback about packaging of a particular product in their decision about whether or not to continue to deal with the supplier or to abandon its products. The emergence of this factor as less important to other retailers suggests that local modern food retailers assume that consumers may purchase everything that is supplied due to a shortage in supply.

To summarise: This part of the analysis points out ten factors that are used by retailers in the selection of local food suppliers. These are: trade credit, government requirements, customer requests, reliability, return policy, price, packaging, promoted products, quality and Islamic doctrine. Reflecting on the changes of food distribution in Tanzania, consumer requests and government requirements play a major role in modern food retailers' decisions of whether or not to procure from local food suppliers. Consumer requests regarding either domestic processed or imported foods may influence retailer decisions. Furthermore, government regulations may support local food suppliers in being more innovative and participating fully in modern food retail.

6.4: An Overview of Support Retailers Provide to Local Food Suppliers

Table 6.5 shows that two key areas of support are common to all seven retailers in Tanzania. These are marketing information and free space.

Table 6.5: Support provided by modern food retailers to local food suppliers

Variables	Nakumatt	Uchumi	Game	Shop-N-Save	TSN	Panone	Imalaseko
Managerial skills	×	×	×	×	×	×	×
Technological support	×	×	×	×	×	×	×
Financial support	×	×	×	×	×	×	×
Marketing information	√	√	√	√	√	√	√
Informal marketing training	√	×	×	×	×	×	√
Free space	√	√	√	√	√	√	√

Agreement flexibility	×	×	×	√	√	√	√
Transport	×	×	×	×	√	×	×

They are ready to share information from consumer feedback on the improvement of the quality of the product. However, some retailers are sceptical about sharing other types of information (including prices) with their suppliers. For example, Shop-N-Save's manager is open that he is not ready to share marketing information such as price and techniques used with other food suppliers with other suppliers. There is no transparency about prices that the different retailers offer for similar products. This confidentiality and variation in price-setting reduced the chance of good relationships developing between suppliers and retailers in Tanzania. For example, the interview with manager Uchumi shows that prices are not consistent among retailers in the country. This is at contrast to the relationships retailers have with suppliers of international products, who have set recommend retail prices that are known to all buyers.

Another support that food retailers are ready to provide to local food retailers is free space to display their merchandise. In Tanzania, this is a very important support, and timely, based on the fact that food processing in the country is dominated by low levels of investment and a lack of finance. However, with increasing levels of competition and the expansion of some retailing firms, it is likely that this is not a long-term situation. The interviews show that some food suppliers support other costs to retailers, such as promotion costs. Moreover, the new entry in Kenyan food retailing, Carrefour, introduced space costs for suppliers, among other conditions. This suggests that most of the suppliers may follow this trend: If Carrefour gets paid, why not them?

For example, the interview with director of TSN Supermarket shows that the retailer excludes local food suppliers from participating in sharing marketing costs due to their financial constraints:

'Yes, we can agree with the suppliers on costs, which we would be ready to share for products.So if we want to go for awareness promotions, they must share costs. None of the local suppliers participate in this scheme of marketing promotion cost-sharing; I think their income is not good. You know advertisings is very costly nowadays'.

Apart from these general support services, some retailers provide additional support in order to facilitate their operations with local suppliers. For example, Nakumatt provides market marketing training services to local suppliers. Retailers such as Shop-N-Save, Panone and TSN operate with flexible modes of payment- i.e., they make earlier payments for their products in order to reduce their financial burdens. TSN also provides some logistical services to select local suppliers that have difficulties transporting their products to the supermarket. This is possible for TSN Supermarket because the firm is part of the TSN group of companies which includes distribution and logistics. In that context, it is possible for retailers to use facilities from other wings of the group of companies to support local food suppliers' to delivery services.

In general, the retailers provide very limited support to local suppliers. For example, they do not provide managerial, financial or technological support to the suppliers although one would expect these kinds of services to reduce the weaknesses that they retailers find among their local suppliers. They do, however, provide limited marketing information (improvement of products and packaging), informal marketing training, free space, agreement flexibility and transport. One can therefore expect the growth of the local food processing sector and their increased participation in the food retailing system to depend on their own resources and initiatives combined with government support and support from non-government sources.

6.5: Relationship Governance Mechanisms

Table 6.6 lists key factors that retailers use to govern their relationships with food suppliers. These are: trade credit, return policy and agreement flexibility. As noted earlier, those suppliers that have agreed to sell their goods on credit are those in business relationships with modern food retailers. Again, as noted earlier, the local suppliers must agree to replace expired or damaged products that they have sold to the retailers. Those who agree to these conditions are considered good business partners.

Table 6.6: Factors used by retailers to govern their relationships in Tanzania

Variables	Nakumatt	Uchumi	Game	Shop-N-Save	TSN	Panone	Imalaseko
Contracts	√	√	√	×	√	×	×
Premises visitations	√	√	√	×	√	×	×
Agreement flexibility	√	√	√	√	√	√	√
Trade credit	√	√	√	√	√	√	√
Return policy	√	√	√	√	√	√	√

International retailers use contracts to establish relationships with local food suppliers, while TSN is the only local supermarket that uses contracts to establish relationships with local food suppliers. This is due to pressure from stakeholders of international retailers to formalise their activities in their host countries. Contracts also imply long-standing relationships, a feature that does not characterize local suppliers' relationship with local supermarkets. Interview results, however, show that, according to contracts, retailers cannot punish a supplier that has not delivered goods. When a contract has been breached, retailers seem reluctant to take court action to enforce it. These suppliers have damaged their chances of doing business with the retailer, and this is considered to be a more serious deterrent for breaching contracts.

6.6: The Empirical Results in a Theoretical Perspective

In sum, this chapter draws attention to retailers' perceptions of the determinant factors of the development of modern food retail in Tanzania and the participation of local food suppliers in modern food retail in the country. The study showed that determinant factors for the rise of modern food retail in Tanzania are innovation, lifestyle change, supplier availability, situational support, administrative reasons, acceptance of trade credit and the booming property industry. Specifically, the reasons for the rise of modern food retail is due to local food suppliers accepting to trade under

new business rules such as trade credit. This makes local suppliers available to work with modern food retailers. The study also shows that the participation of local food suppliers is very low in Tanzania. This is influenced by two major factors: (1) consumer requests and (2) government requirements.

Consumers in Tanzania appear to prefer imported food over locally made food items. This encourages retailers to import food from the UK, China, South Africa and India. There are, however some factors that encourage retailers to procure from domestic suppliers. These include consumer requests, government regulations, health awareness, fresh products, government interventions, availability of suppliers, quality improvement and the acceptance of trade credit. For example, the government requires that food processors have certificates from TBS and TFDA and that they adhere to local government bylaws. In general, most of these laws and regulations overlap which makes it very difficult for food processors to be accepted. Nevertheless, factors such as poor packaging, quality, consumer preferences, trade credit, government requirements and lack of promotion for locally products limit local food suppliers to gain access to modern food retail.

It has also been noted that retailers are unwilling to provide financial, managerial and technological support to local food suppliers. This seriously constrains the growth prospects of the local suppliers. However, some efforts have been made by the retailers to help local suppliers improve their product quality, by passing information from consumers on to them and paying regular visits to them to advise them on production processes.

I have presented a list of theories from the extant literature about the development of the modern retail industry in both developed and developing countries. It is useful to examine how consistent these theories are to the evidence presented above.

In relation to theory presented in Chapter 4, the current study shows that some factors resemble to the existing literature. For example, theories of the wheel of retail, accordion and the missing middle theory hold that innovation influenced the evolution of retail.

The current finding is contrary to the theory the wheel of retail that held that low prices and rudimentary technology were factors that accelerated the evolution of modern food retail. The current finding show that change in lifestyle influenced even low-income earners to migrate to modern food stores. These stores are located in malls, use modern technologies and introduced

different loyalty cards. For example, Shop-N-Save accepts electronic payment from B-Pesa and provides a discount of 3 per cent for purchases worth more than Tsh 20,000. The study suggests that the migration of low-income earners was due to the opportunity to return products, quality and gaining point on their loyalty cards. Gained points can later be redeemed and individuals can buy products that cannot at the wet market. This in turn changes the lifestyles of consumers from all walks of life in Tanzania.

In general, the study added to the existing literature by arguing that in Tanzania, external factors play a major role in the evolution of modern food retail, and not internal factors, as claimed by the previous theories discussed in Chapter 4.

6.7: Summary

The chapter presented a cross-case analysis of the seven retailers that participated in the study. The cross-case analysis presented findings on five issues: (1) motives underlying the evolution of modern food stores in Tanzania, (2) the extent to which retailers do business with local food suppliers, (3) the criteria they use in selecting local food suppliers, (4) the type of support they provide to local food suppliers in order to improve their performance and (5) the mechanisms they adopt to govern their relationships with local food suppliers. The study found that external actors motivate the evolution of modern food retail distribution in Tanzania. These factors are: availability of local food suppliers, lifestyle changes, institutional support, administrative reasons and acceptance of trade credit. Internal factors include the innovation of the loyalty card, which stimulated the migration of consumers from wet markets to modern food stores from all walks of life. The study found that the rate at which these retailers do business with local food suppliers is very low. This was caused by consumer requests and government requirements. Modern food retailers use different criteria to select local food suppliers. These factors are: the acceptance of trade credit, return policy and government requirements. In general, the acceptance of trade credit and return policy increases the likelihood of local food suppliers being accepted by modern food retail stores in Tanzania. The study found that there is a lack of support from retailers to local food suppliers in Tanzania. Very few retailers use contracts as the mechanism to govern their relationships with food suppliers. In general, retailers rely much more heavily on trade credit, premises visitation, agreement flexibility and return policy as mechanisms to govern their relationships.

Chapter 7: Local Food Suppliers' Perceptions of the Tanzanian Food Retail Sector

7.0: Introduction

The second batch of empirical data collected for this thesis is from local food suppliers. The data were collected through interviews with managers of four fresh food item producers and five food-processing firms. They are listed below:

1. Mzomo Services Limited
2. Meat King Limited
3. Namazone Business Centre
4. Happy Sausage Limited
5. Kijenge Animal Products Limited
6. Darsh Industries Limited
7. Monaban Farming and Trading Company Limited
8. Foot Loose Tanzania Limited
9. Basic Element Company Limited

These interviews are to help me gain insight into the following issues:

1. Suppliers' perceptions of factors that have influenced the growth of modern food retail in Tanzania,
2. Views on criteria used by retailers in their selection of local food suppliers,
3. Retailer-supplier relationships,
4. Strategies used by local food suppliers to increase their participation in the distribution chain and
5. Types and sources of, and challenges to, innovation among local food suppliers.

The chapter is structured as follows. I first present an overview of the nine food suppliers I have interviewed. I then discuss the findings under each of the five issues listed above. I finally provide a summary and reflection on the findings in relation to the discussions in Chapters 8 and 9.

7.1: Overview of Case Companies

7.1.1: Case 1: Mzomo Services Limited

Mzomo Services Limited is a family business dealing with poultry meat processing based in Morogoro, Tanzania. It is owned by Mr Jackson Omondi, a Kenyan who has lived in Tanzania for the past fifteen years. Mr Jackson came to Tanzania as administrator and then climbed the ladder to be corporate manager of three different tobacco processing companies in Tanzania. He has an MBA degree in Strategic Management from Strathmore University in Kenya.

The business started by growing maize on a piece of land in the rural Morogoro district in Matuli Village. In 2008, Mzomo shifted from maize farming to poultry keeping, having observed a growing demand for hybrid chicken in Tanzania. It introduced its own brand, the Matuli chicken (Matuli is the name of town in which the company is located), into the market, with some success. It buys its chicken from 72 local poultry farmers with which it has entered into long-term contracts. The company's role in the value chain is to process the chicken and sell it under its own brand. It sells mainly to supermarkets such as Village Supermarket as well as Uchumi and Wuhan Supermarkets in Dar es Salaam.

Figure 7.1: Matuli Chicken parts



7.1.2: Case 2: Meat King Limited

Meat King Limited is also a family business based in Arusha, Tanzania. It is an import company that was started in 1996 by Ms Lesley de Kok, from Denmark. The company deals in fresh and frozen pork, poultry and beef. The beef is imported from Kenya or South Africa, while chicken and pork meat is sourced from local suppliers. Other products sold by the firm are milk and its products, sausage and fish.

In 2013, Meat King received a grant of US\$ 820,000 from IFC for the construction of a modern slaughtering facility in Moshono, Arusha, Tanzania. The business has 30 employees. It sells its products directly to supermarkets in Arusha and Dar es Salaam, and also to hotels in Zanzibar.

Meat King has a daily production capacity of 238kg of meat and meat products produced to target the South African community and tourists (Wilson, 2015). The business has plans to expand its operations by having its own slaughtering unit in Arusha.

7.1.3: Case 3: Namazone Business Centre

Namazone Business Centre is a family business owned by Nancy Maksud, a former AMREF corporate manager. The firm operates stationery and an internet business; however, following the collapse of its internet business, Ms Maksud engaged in the business selling fruits and vegetables as a supplier to Nakumatt, Arusha store.

Currently, Namazone only supplies Nakumatt. The business plans to get access to other retail stores, tourist hotels and mining sites. To meet the market's needs, Ms Maksud planned to expand the cultivation of her two plots to increase productions and also to connect with more women in Arusha who have engaged in horticulture production.

Furthermore, the business intends to engage in value addition by packaging the some of its vegetables for other markets. The company currently has two casual labourers for processing and delivering of vegetables to Nakumatt Supermarket's in Arusha branch.

Despite of this plan, the family business is faced with the challenge of getting access to more stores and tourist hotels in Arusha. Furthermore, they donot have a refrigerated van allowing them to serve other markets in the country, such as Dar es Salaam, Mwanza and Zanzibar. This limits the growth of the business in the vegetable and fruit business.

Figure 7-2: Fresh Fruits and Vegetables in Nakumatt's Arusha Store



7.1.4: Case 4: Happy Sausage Limited

Happy Sausage Limited is a spin-off company established in 1990 by a German, Hans Sedel Stiftung, together with the Arusha Municipal Council and ten other local investors, including Mr Andre Mollel.

The company has previously employed 43 employees to slaughter 100 pigs and 25 cattle per day, but is currently operating under capacity. The current statistics show that the private firm can slaughter 8 cattle and 25 pigs in a day.

Happy Sausage Limited distributes its products both directly and indirectly. It distributes directly in Arusha market, where the firm uses its van and motorcycles to meet consumers in the Northern city of Tanzania. It also sells to hotels and supermarkets. It estimates that it distributes 80 per cent of its products through agents, that 15 per cent goes to hotels and 5 per cent to modern retailers.

Figure 7.3: Smoked Sausage Produced by Happy Sausage



7.1.5: Case 5: Kijenge Animal Products Limited

Kijenge Animal Products was established in 1984 by Mr Andrew Mollel and his wife Grea Mollel. Kijenge Animal Products, which deals with the rearing of hybrid chicken, is a subsidiary company of Kenmill Company. The business is located in the Themu River industrial area at Njiro Hill in Arusha, Tanzania. It sells its chicken under brand name 'Kijenge Chicken'.

USAID has estimated Kijenge Animal Products and Kenmill to be worth US\$ 8.7 million in total. Kijenge Animal Products Limited alone is worth US\$ 4.2 million (USAID, 2006). Kijenge Animal Farm has 202 employees and the ability to produce 100,000 chickens per month. The company also produces animal feeds such as layers and broilers mash for commercial purposes.

Figure 7.4: Kenmill Maize Flour Packaging (Credit to Internet)



Source: Internet

Kijenge Animal Product Limited uses both direct and indirect distribution channels to reach consumers of their chicken meat. For Dar es Salaam, Kijenge Animal distributed its products through Bright Choice (a subsidiary company of Farmers Choice, a company based in Kenya). It is also sells directly to modern food retailers in Arusha. Its products are sold in Mwanza, mainly through distributors supplying customers at mining sites.

7.1.6: Case 6: Darsh Industries Limited

Darsh Industries Limited is also a family company, owned by a Tanzanian Mr Bhadresh Pandit. It was established in 1999 and is located in the Themi industrial area in Arusha. It started with capacity of processing 800 metric tones of food annually and has grown during the past 16 years to have its current processing capacity of 16,000 metric tonnes. It is a food processing company and produces tomato sauce, garlic, chili sauce, tomato paste, fruit jams, peanut butter, maize flour, honey and a variety of masala, as shown in Figure 2. It has 206 employees and 12 super dealers and 54 dealers in 21 regions in the country.

Figure 7.5: Some of the Products Produced by Darsh Industries Limited



The family business is only considering the Tanzania market and has no plans to expand to foreign markets such as Kenya, Uganda, Rwanda or Burundi. Darsh does plan to locate another factory in Iringa, which has started as a collection centre of tomatoes. The company has also engaged in maize flour processing by targeting high-end consumers in large cities in the country.

7.1.7: Case 7: Monaban Farming and Trading Company Limited

Monaban Farming and Trading Company Limited is a private company that deals with the milling and distribution of dried cereals and legumes. It is based in Arusha, Tanzania. The company was found by Mr Mollel in 1994. The private company also deals with the furniture business and the petroleum retailing business. The company, which is using rented space abandoned the then-National Milling Corporation (NMC) facilities found in the Unga Limited ward in Arusha, has 500 permanent employees and 700 casual workers.

As a food-processing firm, Monaban produces wheat and maize flour. During the survey, the business was at the trial stage for a newly installed oil seed factory. The company has 50 trucks and trailers hauling over 1,700 tonnes in a day. Furthermore, the company is also the tenderer of dried cereals in East African, working with international organisations like World Food Programme (WFP). Major sources of cereals like maize and beans are in Tanzania, while wheat is imported from Ukraine and Russia.

The company can process 60 metric tonnes of maize flour and 120 metric tonnes of wheat flour in a day. The Monaban products are distributed in the lake zone regions, which include Shinyanga, Kagera and Mwanza. Figure 3 shows a roll-on-roll-off activities taking place at the factory premises in the Unga Limited area.

Monaban plan to enter the Kenyan maize flour market by opening a factory in the country. Despite their expansion plan in the region, the factory is faced with threat of not having a permanent premise. The Monaban's premise is still owned by the government, which would limit any potential development plan.

Figure 7.6: Lorries during the roll-on-roll-off activities



7.1.8: Case 8: Foot Loose Tanzania Limited

Foot Loose Tanzania Limited was founded in 1999 by Ms Joyce Mbwette, who served as the Managing Director of the family business company. Ms Mbwette is a former employee of the National Bank of Commerce (NBC) and is a holder of a Diploma in Horticulture from the Tengeru Horticulture Institute, Tanzania. She worked with the NBC for thirteen years until she voluntarily accepted redundancy when the bank was privatised to the Amalgamated Bank of South Africa (ABSA) in 1997. When she formed Foot Loose in 1999 Ms Mbwette started with exportation of handcraft in America and the European market.

The global handcraft price collapse that occurred in 2008 as the result of stiff competition from low-cost producing countries like India and Vietnam made Foot Loose diversify to clothing to curtains and food.

Since embarking in food processing in 2008, Foot Loose has introduced different products with the brand name Foot Loose that include: green beans, beans, maize flour, rice, sunflower cooking oil and eggs. The company, which has 15 employees, has a sunflowers seeds-pressing factory in Morogoro. The factory is located at Small Industries Development Organisation (SIDO) premises in Morogoro. For processing maize flour and rice, the family business used outsourced machines.

7.1.9: Case 9. Basic Element Company Limited

Basic Element acquired Ben Es- Haq factory, which was founded by Mr Momamed Abdullah Ahmed, a native of Matombo, in Morogoro, Tanzania. Ben E-Haq was the part of the Scandinavian

Group of Companies with a focus on milling processing. The milling subsidiary, located in the Mikocheni industrial light area, was founded in 2004, and deals with the processing of wheat and maize under the Princess brand.

Due to the financial crisis, the milling processing factory was sold to Basic Element Limited for Tshs 3.5 billion in 2010. The Basic Element Company is under the chairmanship of Mr Robert Kisenia, chairman of the Simon Group. Other shareholders of Basic Element are Florencian Mashauri and Leonard Rubuye. Basic Element Limited started production in 2010 with production of maize flour for brewers, and major buyers are Tanzania Breweries Limited, Serengeti Breweries and Darbrew. In 2012, the company started to process maize flour under the trade name Umoja Sembe for domestic uses. Umoja Sembe is packed in 5kg, 10kg and 25 kg.

The management of Basic Element hopes to make their company one of the leading food processing companies in the country. They plan to re-engage in wheat milling processing and animal feeds as the by-products of cereal processing. Despite their long-term experience in the cotton business, the joint venture company is facing a challenge in the maize flour business, which is dominated by hammer millers, who are more convenient to consumers.

7. 2: Suppliers' Perceptions of Factors that Influence the Growth of Modern Food Retailing in Tanzania

The data collected from the suppliers indicate that, to a very large extent, they agree with the views expressed by the food retailers on factors that have shaped the evolution of modern food retail in Tanzania. They have listed factors such as growth in the number income among urban consumers, acceptance of trade credit, availability of suppliers and improvements in the quality of food items in Tanzania as major contributing factors to the growth of modern food retail in the country (see Chapters 5 and 6).

The general argument presented by the respondents is that the increase among the urban population with a stable income due to the stability and growth of Tanzania's GDP during the last two decades has led to an increase in the demand for food items sold in supermarkets. This point came out more clearly in my interviews with the manager of Mzomo Services Limited. In his view, there is a relationship between the growth of the country's GDP and the increase in the number of middle-income consumers. He argues that since Tanzania introduced macroeconomics changes in the middle of 1985, the country has experienced the development of the private sector. Then the liberalisation policies in institutions and sectors such as banks and education respectively sector in 1992 have produced a significant positive economic impact on the country. For example, this has

led to an increase in the number of young graduate consumers with jobs in many of those financial institutions. These changes have led to the emergence of consumers with disposable income are working for many hours.

Other respondents have drawn attention to the changes in work patterns in different areas of the country due to the increased number of very well educated people engaged in office work as well as an increase in the number of women entering the labour force. This has led to changes in the consumption behaviour of households – e.g., to the demand for processed foods. Furthermore, because these urban consumers have to stay in their offices for many hours (some of them working even during the weekends), they consider it more convenient to shop at modern food retail stores which close at 10 pm, whereas the traditional wet shops close at around 6 pm. The manager of Namazone Business Centre explains this as follows:

‘It’s like what they are saying: all under-one roof, that means time management. No one wants to park his or her car just for buying vegetables, then stop to buy fish! But if you are in the Nakumatt store, you can have everything under-one roof-this style of shopping is highly preferred by young consumers’.

Some of the suppliers have taken advantage of the growing demand to engage in the downstream integration of their operations, i.e., by opening their own retail stores. Mzomo Services Limited therefore sells directly to consumers through its own three retail stores in Morogoro. These stores appear to target the lower end of the urban market. For example, the company sells mainly offal products such as legs, heads and intestines which are usually bought by lower-end consumers. Offal in Tanzania is normally bought by low-income families and is used to make soup for drinkers at traditional brew clubs. Mzomoe Services Limited is estimated that offal contributes 15 per cent of its monthly sales. Mzomo Services Limited also sells to restaurants, standalone butchers and modern food retail stores. The company estimated that 40 per cent of their products are sold through these channels.

In spite of these challenges, the local food suppliers interviewed maintained that they still prefer to work with modern food retailers for two reasons. First is that price is stable over the long term compared to alternative channels e.g., local market dealers. Second, it is easier to sell regularly to one or a few supermarkets in larger quantities. Thus, Namazone Services supplies 99 per cent of the fresh vegetables and fruits to Nakumatt. The rest of the vegetables go to female street vendors who

buy directly at the farm. According to the respondent, they sell to Nakumatt because the supermarket has exhibited strong commitment in their business relationships. She informed me that many small suppliers approached Nakumatt to sell their products to the supermarket but were turned away and had to come to sell their products to Namazone Business Centre instead. As she said:

'Many of them have come to see me because they went to Nakumatt and were told to see me. They were told our supplier for vegetables is Nancy Maksud-understood! Therefore, I see Nakumatt has a commitment to work with me. Currently, I am buying vegetables from those women who were selling me a bunch of spinach for 100 -now they are selling them to me for 150 per bunch'.

She further explained her decision to sell mainly to Nakumatt:

'I was demoralised by the market exploitation of small-scale farmers and by the lack of buyers' commitment. Because with this kind of farming, I was not sure who was going to be a buyer of my farm produce. That was holding me back. I used to take my produce to the market, but prices were not good and middlemen and brokers were controlling each and every thing. In general, I was not getting anything from that open market because the rewards did not match the efforts'.

Price stability is particularly important for seasonal products. The respondent from Namazone Business Centre informed me that, in general, during the low seasons (usually drought seasons), supply for some of the fruits decreased. That means that during the low seasons, prices must increase despite retailers' reluctance to increase prices based on the change of seasonality. However, retailers are reluctant to change the agreed price offer with regards to the market price. Therefore, some local suppliers decline to work with the old price offered because is not profitable to them.

'For example, if you are growing some crops during the drought season, the price is higher compared to the rain season, while for Nakumatt, no price changes per season. I have decided not to supply some of the products if the price is not increased. For example, they asked me, Why don't you supply lettuce, Mama. I replied, I do at the farm level price, while you don't want to increase'.

Table 7.1: Factors that stimulated the evolution of modern food retail in Tanzania

Factors	Mzomo	Darnish	Meat King	Monaban	Foot Loose	Basic Elements	Happy Sausage	Namazone
Economic growth	√	√	x	x	x	x	x	x
Middle income consumers	√	x	x	x	x	x	x	x
Convenience	x	√	x	x	x	x	x	√
Availability of consumers	x	√	√	x	x	√	√	x
Acceptance of trade credit	√	√	√	√	√	√	√	√
Availability of suppliers	√	√	√	√	√	√	√	√
Quality improvement	√	√	√	√	√	√	√	√

The availability of local food suppliers emerged from the analysis as one of the strong factors accounting for the rise of modern food distribution in Tanzania. These factors are, however, related to local suppliers' acceptance of retailers' trade credit conditions. The understanding is that if local suppliers were not satisfied with the trade credit conditions that governed modern food retailers they would not participate in the food value chain, and then the shelves in the retail stores would be empty. Alternatively, the retailers may not import foods items they sell in Tanzania. However, since non-tariff barriers limit many of the modern food distributors' ability to depend on importations, the willingness of the local suppliers to do business with the retailers under the prevailing conditions is a prerequisite for the development of modern food retail.

Quality improvement of local products has also emerged from this set of data another driver of the development of modern food distribution in Tanzania. There is a relationship between the improvement of quality and the availability of local food suppliers that are willing to work under trade credit. The argument is that if local food products were of low quality they might be rejected by consumers. This will once again compel modern food retailers to depend on imported food items. As mentioned in Chapters 8 and 9, local food quality is assessed in Tanzania on the basis of certificates issued by food regulatory institutions in the country.

Some respondents have, however, argued that the growth in demand of quality food items by the urban consumers has not been fully met by traditional markets. This has created an opportunity for modern retail outlets. The manager of Meat King explains this in this way:

'I think it's just a progression of people's needs. You know that people are still going to the market. They are still buying their goods at the market. But the market does not have the goods they are looking for. So now they realise that they can find the other things they want in a supermarket. So I think that is how supermarkets are growing. The need is there. And you have a generation that is coming along and they are looking for items that are not available in local market'.

Quality consideration has encouraged some of the companies to introduce new technologies. For example, Meat King was the first to introduce meat cutting in Arusha to ensure that they were producing quality meat. The company also hired an experienced food technologist with a university degree in order to improve the hygienic quality of its products. Therefore, although Meat King does not have certificates from TFDA and TBS, its product has been accepted in modern food stores, including the high-end retailer Village Supermarket. This is contrary to the general understanding that having certificates from food regulators gives suppliers access to modern retailing stores.

Some companies have very strict quality conditions that automatically exclude some local suppliers from supplying to them. The respondent from Happy Sausage Limited gave the example of Shoprite as follows:

'For example, Shoprite had a policy that the drinking water they sell should not come from Tanzania. For them water should be imported from South Africa. But Mengi (Bonnite Bottlers) tried his best until he got accepted....It does not mean that these items have no acceptable standards! For example, Kilimanjaro drinking water has international certification, such as ISO certificate. Bottled water that is recognised by ISO certificates has been rejected by them'.

7.3: Criteria Used by Modern Food Retailers in the Selection of Suppliers

Regarding the criteria used by modern food retailers in the selection of local food suppliers, all participating firms agreed that trade credit is one of the strong factors they take into account (see table 7.2). I have discussed the limitations of this criterion already. The second criterion is local suppliers' acceptance of replacement policy. This works as follows: if a product is damaged or expires at the retailer's premises, replaced at the cost of the supplier. This is quite contrary to open market, in which ownership transfers once goods have been sold, and the buyer bears responsibility for the product. Failure to accept the rules of the game that govern food value chain activities can lead to the exclusion of a particular local food supplier from the food distribution chain. This criterion has been particularly stressed in my interviews with marketing manager at Basic Element Limited.

Table 7.2: Criteria Used by Modern Food Retailers in Selecting of Suppliers

Factors	Mzomo	Meat King	Happy Sausage	Namazone	Kijenge Animal	Monaban	Darsh Industries	Basic Element	Foot Loose
Trade credit	√	√	√	√	x	x	√	√	√
Replacement policy	√	x	x	x	√	x	√	√	√
Packaging	√	√	x	x	x	√	x	√	x
Price	√	x	x	√	x	√	√	√	x
Reliability	√	√	√	√	x	x	√	√	x
Consumer requests	x	x	√	√	√				√
Quality	x	√	√	√	√	√	√	√	√
Government requirement	√	x	√	√	√	√	√	√	√

I have already discussed the importance of product quality to the growth of the food retail industry. It is therefore not surprising that quality emerged as another criterion for selecting local suppliers. Some of the companies interviewed see the quality of their products as an important competitive strategy, since this contributed to their inclusion within the distributive chain. For example, the respondent at Kijenge Animal Products has this to say about the quality of the company's product:

'Consumers are asking for our brand, Kijenge Animal Chicken, because when they consume our chicken and our competitors' chickens, they see the difference in taste-this makes them ask for our product'.

Table 7.2 provides an overview of respondents' views on the criteria that modern retailers use to select local suppliers. I discussed the acceptance of trade credit terms imposed by the retailers above. Related to this is the condition that suppliers take back all items that have not been sold before their date of expiration and replace items that are in any way damaged.

Packaging is another factor that emerged to be very important. This has been stressed by Mzomo Services Limited in particular. The respondent informs me that attractive packaging, including colour, product information, contact of the producers, bar codes, batch number and expiry date is a significant competitive advantage when modern retailers are in search of local suppliers. For example, the interview shows that suppliers with no bar code may be charged 10 per cent pe

transaction by supermarkets for them to use their internal system. A statement from the respondent of Meat King Limited illustrates the problem of packaging within the distributive value chain.

“I think one of the biggest problems you have in Tanzania is packaging materials. You cannot get good packaging materials, which preserves the lifespan of the products. that is the big hindrance to what products look like on the shelves’.

The respondent from Meat King argues that packaging is an extra marketing cost for companies supplying to supermarkets, and that further compresses the profit margin suppliers’ gain from doing business with them. It would have been appropriate for the supermarkets to bear some of the costs. She explains her view in as follows:

‘Supermarkets give us less of a margin. Because we have to do special packaging for the supermarkets and we do not charge them extra for that. Others are buying with normal packaging. For supermarkets, we have to pack in imported labels, imported packaging. So...errr...it’s much more expensive for us’.

Some of the suppliers have turned the packaging material problem in the country into a business opportunity, thereby upgrading their value chain positions. For example, Mzomo Services Limited decided to abandon poultry farming and focus its resources on value addition activities such as packaging, marketing and distribution. The company entered into contract farming arrangements with 72 households’ livestock keepers surrounding Morogoro Municipal in order to get local supplies of chicken. The respondent explained the company’s strategy as follows:

‘We started with poultry keeping, but now we do not keep poultry. Now we are collecting birds from other birds’ keepers in town under contract farming. For the most part, we began to engage in contract farming after realising that there is a huge demand for chicken meat in Tanzania’.

Basic Element is another supplier that has seen the advantage of shifting its value chain position by engaging in subcontract arrangement with local suppliers. As noted above, the company supplies local maize flour to supermarkets. It has, however, realised that it is more profitable to buy local maize from farmers rather than doing the farming itself. The manager explains the company’s strategy as follows:

‘Basic Element is currently engaged in a contract with one company, known as Rubuye Agro Farming. This company is working with farmers under contract farming. This company is located

in Makambako, Iringa. This year, we had a bumper harvest, and maize is enough. Therefore, our silos are almost full. We used to receive between 60 tonnes to 90 tonnes of maize every day. Here, we have have 4 silos with a storage capacity of 5,000 tonnes each’.

Factors such as price, reliability of supplies and consumer preferences have also been mentioned as relevant, but not to the same extent as those discussed above. The price factor appears not to be stressed very much because the suppliers consider themselves as price takers, and cannot use price as a negotiating factor. This raises the issue of the power of modern retailers in the food value chain and their ability to decide whom to include or exclude. But reliability of supplies is very important. The respondent from Meat King expresses it this way:

‘I guess the main criterion is regular supply. If you are reliable, that will be easy access. Err....You do not have to sell at low price to get them again’.

7.4: Retailer-Supplier Relationships

In general, the data shows that the current retailer-suppliers relationship is largely transactional and characterised by the lack of trust and commitment. One of the major challenges in the retailer-supplier relationship is the conditions of payment imposed by modern food retailers. I have noted above that local suppliers are compelled to accept credit terms in order to be included in the food value chain.

In the traditional food marketing system, local food suppliers traded mainly in cash. They tend to have more bargaining power over the farmers from whom they buy their products, and they were the ones who decided who among the farmers should be granted credit. With the emergence of modern food retail, things have changed, and the local food suppliers are no longer the drivers of the food value chain. They are compelled to accept the conditions of payment imposed by the supermarkets, if they are to sell to them. This arrangement appears to favour the supermarkets more than the local suppliers. It has reduced the cost that the supermarkets incur in carrying local products in their shops and serving their customers. In this way, it has contributed to the development of the industry. I shall discuss the negative implications of this arrangement in later sections of the analysis.

Supplier-retailer Commitment in Relationship Formation

Behaviour commitment seems to limit the establishment of commitment between retailers and suppliers in Tanzania. In general, the study shows that lack of empathy, failure to fulfil promises and unethical behaviour are factors that harm the establishment of commitment in downstream food distribution in Tanzania.

I have indicated that for suppliers to be linked they have to accept new terms, such as trade credit and return policy. But not all suppliers are comfortable with the credit systems imposed by modern retailers. They perceive them as a failure to fulfil promises, which result in a low level of commitment between partners. For example, Meat King was so dissatisfied by the payment delays that it decided to stop selling to Shoprite. In the words of the manager:

“I stoped selling to them. We sent out invoices. We have 30 days debt. If it goes more than 3 months and they do not respond to me. Look, you know we have got problem. Please look after us. We promise we can.....blah, blah.....blah. Then I stop them”.

Mzomo Services Limited also stopped supplying some of the stores due to its dissatisfaction with the credit terms. The respondent said:

‘We supplied to Uchumi for last three months and we have just received pay this month (September when the interview conducted). So we are not ready to continue unless we sit with Uchumi and discuss this matter. We have to sit down and have a very serious conversation about how they pay us. Supermarkets are notorious; they keep your money and pay you after sixty days. They trade with your money! That is the biggest thing with the supermarkets’.

The respondent from Darsh Industries Limited also has this to say about payments:

‘Yes our products are available in a number of supermarkets. And we are trying to increase our availability. But one of the problems of dealing with these supermarkets is payment. Even for the big supermarkets like Nakumatt and Uchumi, payment is the big challenge. We supply and we have an agreement that they will pay within 30 days or 45 days, whatever has been written in our agreement. But they are not paying. So payment is the biggest problems. We are wasting a lot of time following them’.

Strict credit conditions are often combined with the requirement that the suppliers take back items that have not been purchased before their expiry dates, which creates serious disadvantages for the suppliers. Some end up taking losses in the process. The respondent from Basic Element explains the difficulties as follows:

'Payment procedure is 30 days. In reality it is not 30 days, because my pay is based on the completion of supplied goods. So I used to visit their stores to see the performance of our goods and in many cases, they made call to us to place new orders'.

He then went on:

'Last time, we received a call to exchange goods that amounted to Tsh 30,000, which were near to their expiration dates. Actually, the goods were not expired, but were about to expire, because the shelf life of Sembe is 90 days, and usually we pay a visit after 60 days to see what is going on'.

The respondent from Namazone Business Centre had a similar complaint. She said:

'Nakumatt has one major problem they don't pay on time. That's why they would like to work with few suppliers who can tolerate their behaviour. If they could have many suppliers, I believe most of them would be delisted. You can supply for a month without any payment, as per contract. On early days, you get your pay every two weeks, and all of a sudden, payment goes up to a month, and then 45 days. Do you understand?'

Another factor associated with commitment behaviour in the Tanzanian food business is a lack of empathy. This is associated with the failure to support other actors in meeting certain levels of production in value chain upgrading. The study shows that although the modern retailers impose stiff conditions on the local suppliers, they do not provide any support to them. At the same time, the suppliers are overwhelmed by pressure from retailers to improve food standards. This has resulted frustrations and instances where the local suppliers have to give up doing business with the retailers. For example, Mzomo Services Limited decided to end its relationship with one of the retailing chain stores with four outlets in Dar es Salaam.

Family food businesses perceived that local food retailers were not committed to the relationship. It has been observed that retailers do not take consignment once it delivered to them. Another reason for less commitment from retailers is that they may not order until you ask them to do so. An

interview with managing director of Meat King shows that a local food supplier had to make orders herself after visiting the stores and retailers did not make calls to ask for anything.

‘That’s out right. Like Rotterdam, I go to check them. I make the order, I deliver the order. They leave it totally up to me unless there is a specific thing they want’.

The study shows that affective commitment enables local retailers to build relationships with modern food retailers. Factors like sharing market information and interpersonal relationships seem to be important in influencing local suppliers to form relationship with retailers. The study shows that some local suppliers access modern retailers through their schoolmates and by having ‘evening talk’ at pubs with some employees at the supermarkets. However, issues like bureaucracy and neglecting interpersonal relationships harm the formation of commitment among actors in downstream food relationships in Tanzania.

The interview results show that international retailers invite local food suppliers to firms’ anniversaries. For example, Uchumi and Game invited suppliers to dinner galas for their anniversaries since they opened their stores in Tanzania. However, none of the local food suppliers interviewed attended the anniversary dinner galas. Monaban has a ‘Monaban Day’ event that takes place each year in Arusha. However, the event has not been used to join together its modern retailers. Furthermore, Monaban has set incentives so that distributors who reach a certain tonnage can visit a company and stay with them for a week at the firm’s cost. The social event has been designed as a means of uniting stakeholders with the firm and building strong relationships. However, retailers were not considered major stakeholders by the management compared with employees and distributors.

I argued previously that retailers do not support suppliers, which means that continuance commitment is below between suppliers and retailers in Tanzania. In general, the study reflects on the late payment and no marketing support. However, the study shows that there is informal marketing support, such as sharing marketing information about packaging which results in improving the number of products sold by local food suppliers. Despite the lack of continuance commitment, which is associated with support in long-term investment among actors, and for this case by retailers, such as financial supports, the study shows that local food suppliers are using other sources to finance their activities to meet the requirements of the markets.

7.5: Strategies Used by Local Food Suppliers to Increase their Participation

Table 7.3 provides an overview of the strategies used by local suppliers in order to be accepted by the supermarkets as major suppliers. As indicated in the table, the strategies that local suppliers use to make themselves attractive participants in the food distribution chain include network, innovation, outsourcing and the recruitment of experienced staff.

Table 7.3: Strategies Used by Local Food Suppliers to Increase Their Participation in Modern Food Retailing

Factors	Mzomo	Meat King	Happy Sausage	Namazone	Kijenge Animal	Monaban	Darsh Industries	Basic Element	Foot Loose
Outsourcing	√	√	√	√	x	x	√	x	√
Network	√	√	√	√	x	x	√	x	x
Relationship	√	√	√	√	x	√	√	√	√
Innovation	√	√	√	X	x	√	√	x	√
Experienced staff	√	√	√	X	√	√	√	√	x

Four of the food processors participated in the study engaged in outsourcing of the food items they supply. Basic Element prefers to procure maize from specified suppliers who are trained by the firms on quality and standards maintenance of good standards. In order to have a supply of good quality items, participants indicated that they initiated contract farming. For example, the interview shows that Basic Element Limited trained officers of their maize suppliers on the quality of maize required by the firm. Similarly to Foot Loose supplied seeds to sunflower growers in Singida and Dodoma with the intention of improving the quality of the supplied seeds for oil pressing.

The differences in the climatic conditions in different parts of Tanzania make outsourcing a reasonable economic proposition for the local suppliers. For example, sunflower and maize can be grown in different parts of the country. The variability allows for harvesting at different times in the year, and therefore improves the reliability of supplies without incurring huge inventory costs. On the other hand, there is a serious infrastructural bottleneck, and the fact that agriculture in Tanzania is heavily dependent on rain means that the climatic advantages are somewhat reduced.

The interviews also show that becoming a supplier to a supermarket is not always based on rational economic analysis. Social ties and network relationships appear to be important in some situations. For example, if a supplier's former schoolmate or former employee works in the supermarket, the chances of being selected rises significantly. There are also occasions when tribal linkages become important. For example, as noted earlier, the owner of Mzomo Services Limited was a top manager in two tobacco firms in Tanzania. He admits that the social relationships with employees in some of the supermarkets have eased its entry to the chains. He explains this as follows:

'Yes, we get access through someone who is our business partner, who is doing business with us and is linked to them. Basically, we operate through our network. But they started not to pay us, we stopped for a while, and then we started afresh. But they haven't paid us, ever since we started. It's fine, we know them. So its network, you know'.

Similarly, the interview with the respondent from Namazone Business Centre indicated that the owner used a long-term network she had established while in Nairobi to become a supplier to Nakumatt. She explained the process this way:

'The man who connected us to this business is the one who is in charge of Fresh and Juicy for Uganda, Kenya, Tanzania and Rwanda. It is true that Fresh and Juicy is the company that has a subtenant contract with Nakumatt.....When I was in Nairobi, I used to do business with Nakumatt. But that was due to support from my husband because he was a pilot. What kind of business? I used to sell to them flash disks and other IT stuff; therefore, I knew that Nakumatt was selling space, not products. When Nakumatt opened their store here, I said to myself that I would not continue with the IT business anymore. I would work with them by selling them my farm produce'.

But doing outsourcing through contract farming arrangements is not without challenges. As the respondent at Mzomo Limited Services said:

'It is difficult to engage in contract farming. Farmers are not reliable.....If someone goes with money, they sell the chicken. For those with good relationships with us, we give those loans; we give them cash when they deliver the goods. They do not have to wait for the money. So they bring their goods to us. Plus, we pay a higher price when they bring their goods to us'.

Experienced staff emerged as an important strategy enabling local food suppliers to increase their participation in modern food retailing in Tanzania. Many of the food processors in Tanzania seem to use of experienced staff in food technology. This is due to an increase in house capability to absorb market dynamic, which is controlled by downstream actors. On the other hand, there is a structural condition that states that food factories must have to at least one employee with a diploma in food processing in order to be registered. However, Foot Loose does not have experienced staff due to the fact that a family business does not engage in most sophisticated consumer goods. Currently, the family business produces only sunflower cooking oil and oil, and sells them without refining them. For maize flour and rice, the family business has no factory, just uses other millers' facilities.

7.6: Types, Sources and Challenges of Innovation among Local Food Suppliers

In general, this study shows that inspiration and knowledge for innovation purposes have come from a wide range of sources that include retailers, distributors and government agencies. For example, food processors seem to rely on information from retailers about packaging and product quality. For product innovation, local food suppliers rely on information from the government. Maize flour processors' information and ideas about product innovation have been driven by the government with the interest of reducing vitamin deficiencies in Tanzania. With this goal, maize flour processors have been engaged in innovation to meet the country's requirement and laws.

Product innovation appears to be more common among suppliers processing meat products rather than fruit and vegetable suppliers. For example, meat suppliers targeting the Muslim consumers have introduced halal brands. Others targeting the non-Muslim consumers (e.g., Meat King and Happy Sausage) have not found it necessary to introduce halal products. But there have also been some product innovations in response to government directives. For example, the introduction of maize flour fortification by Monaban was due to government requirements.

Processing innovation seems to be important for Mzomo Services Limited, a supplier of chicken and beef meat. The company introduced a chiller machine using a dilapidated refrigerator, a water pump motor and a barrel. The chiller, designed locally, allows for the quick cooling of whole chickens at a prescribed temperature. This has been an improvement over previous approach of using ice blocks to keep the chicken meat cooled. This new technology has saved the company about Tsh 300 million.

Some suppliers have also introduced packaging innovations in the form of changing the colours and logos of their brand, most of in response to recommendations from food retailers or market

competition. There have also been changes in the sizes of some packages in order to meet the demand for low-income consumers. For example, some of the food suppliers noted that they were losing market share due to lack of one and two kilograms packages of maize flour, which is one of the staple foods in Tanzania. As a result, they introduced smaller packages to fulfil these demand conditions.

There have been situations where suppliers felt that supermarkets have not handled their products in satisfactory manner. For example, Meat King stopped supplying to Shoprite after the latter did not hygienically handled meat. This caused suppliers to drop the retailers. This suggests that in upstream retailers, a mistake can lead to a loss for a supplier due to the fact that retailers do not take any loss that occurred from their procured products, either it expiring or being damaged.

'We are not selling to Shoprite because they could not keep their refrigerators in a good condition. We used to supply to them, and then when we went there, the fridge was broken and the meat was rotten. We stopped supplying to them. No! They said they would change. But it was not good to trust them. Also they were not good payers. We had to fight for our money. It took a long time. So from that perspective, it was not worth it to supply to them'.

Consumer preferences are important determinants of innovation, and are associated with new product development or upgrading production processes. An illustrative example presented to me during the interviews was the introduction of different types of maize flour to the market. The respondents informed me that consumers in Tanzania prefer refined maize flour (Super Sembe). On the other hand, the government encourages the production of whole grain maize flour (Dona). Furthermore, in 2013, the government selected the flour miller Monaban to be among the 8 companies required to produce fortified maize flour to curb mineral deficiencies in Tanzania. However, the interview shows that Monaban faces resistance from consumers who were against the new fortified products, and that they have returned some of the consignment to the firm.

Suppliers tend to receive innovation ideas from the food retailers. An example from Foot Loose Limited illustrates this relationship:

'Supermarkets want long a low percentage of broken rice with a good aroma. Also I would also like to have a milling machine that I can use to process brown rice. Supermarkets asked for brown rice and I have introduced it, but it is not processed by my own machines. The price for brown rice is 14,000 for 5 kilograms, and for white rice, it is 13,000 for 5 kgs'.

The interview shows that there is a flow of communication between suppliers and retailers about the food innovation. Food suppliers received innovation ideas about packaging that influenced the introduction of halal labels. This shows that innovation in food processing involves packaging. The reluctance of family businesses to sell on trade credit likely limits the introduction of other innovation activities.

Respondents from Kinjenge Animal say as follows:

“The team from BAKWATA visited here to see that our products observe Islamic doctrine, and gave us this certificate. We printed it out and shared it with some of our buyers to show that our products adhered to Islamic doctrine during the slaughtering process.Once some of the customers see this kind of information, they may not be willing to buy it. Some, because of their own perceptions may decide to abandon our product. You have to understand that packaging is very challenging, so if you show these kind of words (Arabic words, some consumers may not be willing to buy it’.

Innovation also targets contract farmers as a way of upgrading their production processes.

Basic Element intends to introduce their product in Tanzania:

‘About three days ago, we had a talk with our directors and we said that one of the products that we will come out with will target hybrid poultry keepers. Most of the eggs we eat now have the white yoke. People want yellow, and one of the foods that we would like to introduce for poultry feeding has to solve those issues’.

To reduce this problem, Kijenge Animal has an in-house animal feed-processing factory that also sells to other poultry keepers.

‘Later on, poultry keeping expanded, and new animal feed machines were installed. Production of layer mash increased, and the poultry keeping expanded too. Now we are installing new machines for the production of pellets instead of layer mash. Pellets are good because chickens can eat all of the food while the mash is just husks mixed with dust. That means that if you feed your chicken with pellets instead of mash, they take five weeks to mature, or even less’.

Kijenge animal poultry farm is assured with a constant supply of animal feed compared to other poultry keepers who face a lack of supply during the high season. As a result Kijenge Animal can have constant supply of whole meat chickens at the market to meet the demand of the consumers.

Table 7.4: Types of Innovation

Types of innovation	Mzomo	Meat King	Happy Sausage	Namazone	Kijenge Animal	Monaban	Darsh Industries	Basic Element	Foot Loose
Packaging	√	√	√	X	x	√	√	√	√
Product	√	√	√	√	√	√	√	√	x
Processing	√	X	X	x	x	√	x	√	√
Distribution	x	X	√	x	x	√	√	√	√
Credit policy	x	x	x	x	x	√	√	√	x

7.7: Factors that Limit the Flow of Innovation Ideas among Downstream Actors

The certification process limits the spread of innovation in food processing in Tanzania. An interview shows that food processing presents samples to government regulators, but the decision take some time to be shared. On the other hand, in Tanzania, food can be sold it has not been certified by TFDA and TBS. But interestingly, family business products have been accepted in spite of the fact that their products have no certificates from the authorities.

Government institutions have an important role in increasing the participation of local food suppliers in modern food retail. This can take the form of training and law flexibility. An interview shows that food processors are not getting any support from government.

‘Zero support from the government and its agencies. I get support from NGOs, AID agencies and foreign organisations. I get training and also financial support. Well, it would be very good to get support from the government with regards to laws and regulations’.

The lack of experienced and qualified staff has been cited as a factor limiting the management of food suppliers as well as their innovation potential. Some of the skills that are lacking include basic store-keeping, merchandising, inventory management and records-keeping.

The respondent from Happy Sausage says:

‘Another challenge is that most of them don’t have business skills. You can find someone who is a graduate but who has no knowledge about business. For example, an individual has graduated with

science education. They are facing difficulties working with store officers and even to managing their business operations’.

The interview results also show that some of the Tanzanian employees have no experience working in the meat industry compared to employees from in Kenya. This is probably due to the collapse of Ujamaa and the meat processing factories in the country. The collapse of the industry meant that most of graduates did not acquire practical knowledge when they were at university and could not therefore, be directly employed to help introduce product innovation to the companies. In general, therefore, suppliers recognise the importance of training to the success of their operations.

It is important to note that this is not a problem that all firms experience. Some have experienced staff in food processing with university degrees. For example, Basic Element Limited has experienced staff from Kenya and Tanzania with experience in food processing. Furthermore, the private firm has a mini-lab at the factory for food analysis. Meat King Limited employed an experienced food technologist from another processing company in Arusha. The woman has a bachelor’s degree in Food Science Technology from Sokoine University of Agriculture and long experience after working in other meat processing facilities in Arusha. The employees brought a long-time experience to the company, which probably helped the business to continue produce high-quality products and penetrate high-end retailing firms like Village Supermarket. This makes innovation and meeting customers’ requirements easy, because they employ experienced staff.

The respondent from Happy Sausage informs says:

‘Our quality control officer is a food scientist and has a degree. We have a production manager who is Kenyan, and he has been with us for two years. It’s like what you have said-most Tanzanians do not understand meat processing. Six production managers who worked at this factory were Kenyans’.

Table 7.5: Factors that Limit the Flow of Innovation Information Among Downstream Actors

Factors	Mzomo	Meat King	Happy Sausage	Namazone	Kijenge Animal	Monaban	Darsh Industries	Basic Element	Foot Loose
Government requirements	√	√	√	x	x	x	√	√	x
Trade credit	√	√	√	√	√	x	√	√	√
Skilled staff	√	√	√	x	x	√	x	√	x
Consumer preferences	x	x	x	x	x	√	√	√	x
Counterfeit products	x	x	x	x	x	x	√	√	x

7.8: Summary

This chapter presented findings from a cross-case analysis of nine cases of local food suppliers in Tanzania. Five issues were discussed. These are: suppliers' perceptions of the factors influencing the growth of modern food retail in Tanzania, views on the criteria used by retailers in selecting local food suppliers, retailer-supplier relationships, strategies used by local food suppliers to increase their participation in the distribution chain, types of innovations and sources and challenges of innovation among local food suppliers. The study shows that, in general, views of local food processors relate to retailers regarding factors motivating the rise of modern food retail in Tanzania, such as economic growth, the rise of middle-income consumers, convenience, availability of consumers, acceptance of trade credit, availability of suppliers and quality improvement. The study also found that the criteria used by retailers in selecting local food suppliers are: acceptance of trade credit, replacement policy, government requirements and consumer requests. Furthermore, the study shows that retailers, distributors and government agencies are the major sources of innovation used by local food processors in the country. The study shows factors that limit innovation in the agri-food business in Tanzania are trade credit, government requirements and consumer preferences.

Chapter 8: Institutions' Perceptions of the Tanzanian Food Retail Industry

8.0: Introduction

The third batch of empirical data collected for the thesis is comes from institutions. The data were collected through interviews with zoning managers, food inspector, deputy directors, quality officer and business development officers from four institutions that are involved in food regulations and the promotion of the private sector in Tanzania. They are listed below:

1. Tanzania Food and Drugs Authority (TFDA)
2. Tanzania Bureau of Standards (TBS)
3. Small Industries Development Organisation (SIDO)
4. Tanzania Chambers of Commerce Industries and Agriculture (TCCIA)

These interviews helped me gain insight into the following issues:

1. Institutional support to the growth of modern food distribution in Tanzania,
2. The role of institutions in food innovation in Tanzania and
3. Institutional challenges to the growth of modern food distribution in Tanzania.

8.1: Tanzania Food and Drugs Authority (TFDA)

Tanzania Food and Drugs Authority (TFDA) was established in 2013 after the Food and Cosmetics Act of 2003. As a government agency, TFDA operates under the Ministry of Health and Social Welfare. TFDA regulates food processing, handling, transporting, marketing and distribution for imported and exported goods. For example, for transporting meat products, the Tanzania Food, Drugs and Cosmetic Act of 2003 (Transport of Meat Regulations, 2006) gives the agency the power to decree that no person shall transport or cause any meat to be transported unless such person holds a valid licence issued by the Authority for that purpose, as per section 122, subsection 4 of the regulation. Furthermore, the regulation gives TFDA officers a mandate to inspect a meat carrier at any time they deem fit to do so.

Regarding to imported food, the agency has the mandate to offer a permit to any food importer. Section 4, subsection 1 of the importation and exportation regulation states that no person shall import food into the Tanzanian mainland unless he is a holder of a valid import permit issued by the Authority.

The Act of 2003 indicates that TFDA will formulate policies that regulate imported food items to ensure that consumers' health matters are fully safeguarded. The institution functions in this regard related to issues such as importation, manufacturing, labelling, product identification, storage, promotion, selling and distribution. That means that every importer is required to have an import permit issued by TFDA in order to be able to engage in food import activities. TFDA has organised its activities in six zones: Central Zone, Northern Zone, Lake Zone, Southern Highland Zone, Eastern Zone and Western Zone (which is yet to be officially opened). As at the beginning of 2015, TFDA had 237 employees covering different areas of specialisation.

For the distribution of specific kinds of food in the country, TFDA has different regulations that control the transportation of commodities such as fresh meat. Any person transporting meat in Tanzania is required to have a license issued by TFDA under the meat transport regulation in section 122, subsection 1 of the Food, Drugs and Cosmetics Act of 2003. This regulation requires any meat transporter to have a meat movement permit issued by the District Veterinary Officer, who is part of the Ministry of Agriculture.

Furthermore, TFDA regulates labelling, marketing, storage and promotion. For example, food labelling regulation requires the inclusion of information on use and ingredients to be in Swahili or English. Food labelling regulations of 2006 indicates that important information that must appear on the label include brand name, the common name of the food, net weight or volume, batch number, date of manufacture and expiry date.

To be satisfied with quality and safety, TFDA has to conduct laboratory tests of the submitted samples. That means that an importer or local food processor has to pay for a laboratory test, which is paid in US dollars. TFDA also works very closely with other institutions that are under different ministries, such as TBS, on issues of safety and public health.

8.2: Tanzania Bureau of Standards (TBS)

Tanzania Bureau of Standards (TBS) was established in 1976 as an institution under the Ministry of Industry and Trade. TBS's major activity is to regulate the quality and standards of all products produced in Tanzania. As the custodian of standards in the country, TBS is involved with testing both imported and domestic products. That means that for any food item to be sold in Tanzania, it has to meet standards that have been set by the institution.

TBS activities are guided by the Tanzania Standard Mark Act of 1975. In general, certificates that are issued by TBS are statutory and voluntary. That is, putting a 'TBS mark' on one's products is voluntary. 'Statutory' means that ingredients specified by the country-set standards are compulsory, and producers must meet this condition in order to be able to sell the products on the Tanzanian market. For example, Tanzanian standards for salt specify the amount of iodine in the salt must be between 30mg/kg and 60mg/kg. That means if you meet this requirement, you can potentially produce without having a 'TBS mark'. To ensure that food standards are met by food processors, institution provides seminars and training to food processors.

One of the short courses that offered by TBS lasts five days and concerns the implementation of the quality management system ISO 9001: 2008. Based on the advertisement posted on the TBS website, the fee for the five-day course was Tsh 1,000,000, and organised in the commercial city of Dar es Salaam. In general, TBS offers short courses with fees that range from Tsh 300,000 for a single day to Tsh 2,000,000 for five days.

Furthermore, TBS has a special scheme to facilitate small-and-medium-sized food processors to get certificates. Small food processors have to work under Small Industries Development Organisation (SIDO), and through that scheme, processors do not pay for certification process costs.

8.3: Small Industries Development Organisation (SIDO)

Small Industries Development Organisation (SIDO) is a para-statal organisation that was formed in 1978 with the goal of promoting small-scale industries in Tanzania. SIDO operates under the Ministry of Industry and Trade, with its headquarter is in Dar es Salaam.

The organisation has different projects for food processing, soap-making and beverage and machine manufacturing. Currently, the organisation is divided into five zones, namely Northern Zone, Southern Zone, Central Zone, Lake Zone and Southern Highland Zone.

SIDO provides training, grants and group loans to promote small-scale industries in the country. SIDO provides training on financial management, marketing skills and food processing. Furthermore, SIDO has a scheme of financial linkages with commercial banks such as Akiba Commercial Bank, United Bank of Africa, Tanzania Investment Bank and Federal Bank of the Middle East. For example, in 2012-2013, SIDO, through the National Entrepreneurship Development Fund, granted Tsh 3.47 billion to 3,567 indigenous entrepreneurs in the country.

Furthermore, SIDO is working in collaboration with other food regulators like TFDA and TBS to help small-scale food processors to access food certifications. This scheme intends to help 300 small-scale food processors working under SIDO to acquire certificates and to register for free. In general, local small-scale food processors are faced with financial budget constraints. Therefore, this initiative is highly beneficial to most of the small-scale food processors in the country.

To achieve its objective, SIDO collaborates with the Tanzanian government and international development partners such as UNIDO, DFID, and the Bill & Melinda Gates Foundation on various projects that support local food processor initiatives. From 2012 to 2013, SIDO trained 4,766 indigenous entrepreneurs on business skills and food processing, including food preservation and cooking oil processing.

8.4: Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)

The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) is a non-profit organisation which formed in 1988. The association has a presence in 21 regions and in 92 districts. The TCCIA has 16,000 members around the country in different sectors such as mining, food processing, trading, farming and services. To run its activities, the association depends on members' fees and donor support from organisations such as SIDA.

TCCI was established with the goal of being a vessel that initiated dialogue between government institutions to call for a change in the business environment. The institution is very important because it embarked in liberalisation economy policies in 1985 after the collapse of socialism. Since then the association has been involved in promoting private sector development in the country through dialogue with the government agencies and ministries.

To promote the growth of the private sector, TCCA has been involved in advocacy and lobbying for policies, regulations and law changes in the country. The organisation depends on contributions from through members and other international organisations.

Furthermore, TCCIA provides training and financial linkages to active members. Some of the achievements of the association's achievements are the facilitation of the introduction of bar codes, where processors in the country had previously used bar codes from Kenya, South Africa and other countries. In general, TCCIA is an umbrella group that advocates for a better business environment for the growth of the private sector.

8.6: Interview Findings

This section presents findings from interviews conducted with officers from TFDA, TBS, TCCIA and SIDO. While TCCIA is a business organisation that supports the growth of the private sector, TFDA and TBS are regulators of food marketing in the country. SIDO deals with the support of the growth of private food processors.

8.6.1: Institutional Supports to the Growth of Food Distribution in the Country

Law alterations

Respondents show that, since 2007, TFDA has provided relief to large food retailers that import foods directly, as opposed to following normal procedure for food certifications or registration. This was intended to accelerate the growth of the modern food retail business in Tanzania. An interview with TFDA's officer shows that certifying each of the food items the retailers import directly from their home countries would be very expensive. Furthermore, retailers imported different types of food with different ingredients within a short time to meet consumer demands in small volumes.

The TFDA quality enforcement officer at head office says:

'In 2009, we wanted them (i.e., retailers) to follow registration procedures; however, this process could be difficult for them.....It is very expensive to register those food items. In many cases, what has been registered will not necessarily be imported tomorrow, because importation is based on consumer preference. We gave them three years, from 2009 to 2012 again. In 2012, we requested they apply for registration for import permits for about 20 food item. But it still seems difficult'.

To allow retailers to import directly, food import permit was signed offline while the registration process was an online process. This alteration of the procedure by the institute allowed 8 large retailers to import different food items to Tanzania. Some of the modern retailers were Shoprite Supermarket before its exit, Imalaseko Supermarket, Uchumi, Game and Nakumatt.

Training support

Participants from TFDA and TBS show that their institutions have engaged in training local food suppliers on food hygiene and handling the desire to increase the number of local food processors

that meet the country's set standards. Interviews also show that the mission of these institutions is not to provide training but rather to protect public health. The interviews show that these institutions have engaged in the training of local food processors with goal of protecting the economy.

Respondent from TFDA says:

'We trained 600 local food processors in 13 regions in the country. We want to encourage local food processors to sell more in these modern food stores.....We also look at registration process criteria to discourage food importation without causing trouble with other organisations of which country is a member like EAC and SADC'.

Furthermore, interviews show that international non-government organisations supported institutions in training government officers and local food processors on food fortification. This support made it possible to introduce new fortified food such as maize flour, wheat flour and cooking oil.

Respondent from TFDA says:

'We are working together with Helen Keller International, World Vision and Tuboreshe Chakula to facilitate this new innovation food idea of food fortification. We have trained food processors and our inspectors on food fortification. From January 2015, even imported foods will have to be fortified too'.

Waiving of fees for local food processors

Furthermore, to facilitate the registration of local food processors in the country, food regulators reduced some requirements. Interviews show that for small-scale local food processors, laboratory analysis is only used for some major important components to minimise costs. For example, for maize, some of the tests would only be concluded on major parameters such as moisture content, aflatoxins and amount of ash. Moreover, institutions have a special window for small-scale entrepreneurs who are working under SIDO to access certificates. This initiative, which is under the Ministry of Industry and Trade, SIDO, TFDA and TBS, leads to an increased of a number of local food processors with certificates from food regulators in the country. That means an increased of the chances of local food processors getting access to modern urban food retail.

“

Respondent from TFDA says:

'When we are looking at food safety, we cannot say that this is for large or small companies - for example, with issues of microbiology. But in the case of small-scale processors, we focus attention only on important parameters. For example, with maize flour, we check for moisture, which is 13.5 and aflatoxin. We have reduced this for them in order to reduce costs..... Otherwise, there are more parameters and tests they have paid for, which they cannot afford to pay'.

8.6.2: Increasing Participation of Local Food Suppliers in Modern Food Retail

In order to increase the participation of local food suppliers in modern food retail in Tanzania different themes emerged, including: packaging, networking and access to finance.

In general, the respondents suggest that the lack of capital to buy new machines that would improve production capacities limits local food processors' ability to participate fully in the rapidly growing urban food retailing industry in Tanzania. In that respect, they cannot access the market because they cannot pay for necessary packaging materials. They also think that there is a lack of supporting industries within the country.

In that regard, local food processors have to import packaging from Kenya or China. But due to a lack of capital, most of them use packaging materials that are available locally. This reduces their chances of competing with imported foods items.

As the respondent at SIDO said:

'For example, if someone wants to produce achali, he has to go to Kenya to buy packaging materials. So how many of them can go to Kenya? The answer is very few'.

Secondary data shows that packaging is a major challenge for Tanzanian food processors:

'I have to import plastic packaging materials from Mombasa (Kenya), which cost Tsh 650 each and this is different from the cost of the label, which we sometimes also buying at a high price'.(Mwananchi, 2014)

Quality issues are prevalent in most of the local food processors in Tanzania. This limits their participation in modern food retail in the country. Some of the reasons for this could be on the side of food processors, like unethical practices such as adulterations.

Furthermore, most of them would temper with volume. These unethical behavior are very common, therefore, reduces trust among domestic consumers to locally made food items. Respondents argue that local food processors should improve the quality of food to meet consumer demand because it seems difficult for the government to block food importation in the country. Furthermore, production should be more ethical. For example, secondary data shows that rice processors in Mbeya polish rice with cooking oil. This practice threatens the quality of rice because of the foreign object (cooking oil) coating on the rice.

'The process of polishing rice with sunflower cooking oil is performed by pounding it with your legs on the floor. It is likely that this exercise is conducted in unhygienic conditions, and thus may contaminate rice'. (Mwananchi 2015)

One interview shows that local food suppliers do not use network to improve their participation in the urban modern food retail. Most of the time food suppliers who receive support are from the largest cities in the country. In general, local food processors are not ready to engage with other actors in value chain activities such as universities, business associations and government agencies. Therefore, they find themselves marginalised and not linked to many opportunities related to capacity-building.

Respondent from TCCIA said this:

'In most cases, we have to use the same companies for support for different projects, and it is true that you can find them supported by other organisations because most people do not like to participate by doing things like being members of business associations or at other events'.

The respondent says that local food processors should embrace technology as one of the requirements of penetrating the modern food retail business in Tanzania. Retailers request products with bar codes, for instance, which most of the local food processors do not use.

Interviews show that commitment is another factor that limiting local food processors' ability to be linked to the market as initiatives are taken by different institutions in the country. A lack of commitment occurs when local food processors fail to supply to a particular market without any notice. In general, the cross-case analysis shows that despite the efforts of institutions like SIDO to link local food suppliers to the market, most of them failed to meet consumer expectations.

Respondent from SIDO put it in this way:

‘Commitment is a challenge to most of food processors.....I will give you an example. In 2009, we connected a honey processors group from Machame to a buyer in Zambia. That buyer attended our trade exhibition here in Moshi and found that our honey was good. A Zambian buyer ordered one tonne of honey per month but our people failed to deliver’.

The interview shows that consumer preferences emerged as a strong factor limiting local food suppliers from accessing modern food retail in the country. It also shows that Tanzanian consumers prefer not to consume locally processed food items. Therefore, this limits modern food retailers from stocking locally processed foods. Furthermore, this rejection of locally made food items is associated with low-quality packaging and the lack of a TBS mark and a registration with the TFDA. Respondent from TFDA says:

‘What you have seen is that Tanzanian consumers would rather buy imported food than locally made food items. Some may prefer to not to eat non-polished rice from Kyela with a good aroma, but others would like to consume Basmati rice from India. So ultimately it is consumer preference that leads supermarkets to sell imported food and locally made food items’.

8.6.3: Institutions and Food Innovations

Findings from government officers correlate with food processors’ view that government agencies support innovation in Tanzania. For example, TFDA supported the introduction of food fortification for cereals and cooking oil. Food processors were trained and equipped with skills to complete the food fortification process. In spite of those initiatives, interviews with government officers show that government requirements impinge food innovation.

Officers from TFDA had these views:

‘We have seen many local food processors engage in the sector, which is fine. But we noticed that while most of those food items have not been certified by appropriate organisations, they are on food retailers’ shelves. Therefore, we had to notify supermarkets that every food supplier that supplies them has to present their premise investigation and registration certificates from TFDA’.

‘I would like to let you know that we encouraged supermarkets to buy a lot of locally processed food for the benefit of the economy. But you have to know that we are a liberalised economy, so we

cannot control their decisions. What we can do as the TFDA is recommended that they register their food items as required by the law. Because we cannot allow non-registered food to be in the market by just saying we are a liberalised economy’.

8.6.4: Institutional Challenge to the Food Business

The interviews show that three factors limit the growth of the food business in the country. These include: lack of laboratory facilities, inadequate number of staff and importation permits.

Respondents admit that an inadequate number of staff limits food regulators’ ability to provide services in a timely fashion. This means that food processors that submit their samples for certification have to accept a delay of no less than a year. This is a barrier to local food processors if they adhere to the government requirements. Furthermore, secondary data shows that bureaucracy limits food innovation among local food processors in Tanzania.

‘I believe that regulations are very important in ensuring health safety among consumers, but overregulation makes food processors waste a lot time in attending to and following-up compliance issues. We are required to pay many fees, but even as you pay fees, you still encounter unnecessary delays and bureaucracy’. (The Citizen, 2013)

During an interview with an officer from one of the food regulatory institutions, I witnessed a conflict with one of the processors who claimed that TBS that took two years to process his company’s sample. On that day, the processor came to the office of the respondent and complained that it was taking too long, and that he could not wait any longer. As a result, the interview was delayed until the respondent had attended to the processor. The respondent admitted that the failure was due to inadequate staff. Secondary data from government reports shows that TBS does not have adequate staff to meet their responsibilities. Furthermore, these institutions do not have offices in some regions, or at the country’s entry point. Secondary data show that TBS process opening zone offices in Mwanza and Arusha.

‘We have applied for permits from the government to recruit 500 workers during this financial year ending June 2015.....We want to serve more people and bring our services closer to their areas of work. New offices will ease customers’ access to our services by being closer to their areas of work. New offices will ease customers’ access to our services.....Most of them are now compelled to travel to Dar es Salaam, and that adds to their operational expenses, which deters many from complying.

We will open more border offices later this year at Tunduma and Kasumulu in the Mbeya region, and Mtukula in the Kagera region'. (The Guardian, 2015)

Another issue that related to inadequate staff is a lack of laboratory facilities and maintenance. Respondents say that in some cases, food regulators in Tanzania have to ship samples to South Africa for analysis. For example, secondary data show that TFDA had no technician to maintain their laboratory equipment. In some cases, that they have to ask for a technician from Nairobi, which means more delays for samples submitted for analysis.

The Citizen newspaper had to this to say on the subject:

'It has emerged that it (TFDA) spends about Tshs 40,000,000 on technical experts based in Kenya for the maintenance of laboratory equipment.....Sometimes these experts are not readily available since they perform similar work in other East and Central African countries.....We are forced to seek technical experts for laboratory equipment from Kenya because we do not have our own. (The Citizen, 2012)

The imported food certification process is very challenging to institutions in Tanzania. Interviews show that despite TFDA having the power to issue food import permit certificates importers have to seek permits from other agencies or ministries. For example, for the importation of beef or any other agricultural food products, an importer has to get certificate from the Ministry of Agriculture that would be used to support acceptance when presented to TFDA.

Respondent from TFDA has this to say:

'It's true that food can be accepted in the UK but can be rejected here for minor things like food labelling.....Instead of indicating information such as contact, some companies show websites. How many people in this country can access those websites indicated to find out the company's address and ingredients?'

This finding correlates with the secondary data, which show that regulators destroyed some of the imported foods which did not meet the Tanzanian standards. For example, in the Northern Zone in January 2014, TFDA destroyed foods seized from retailers that were worth Tsh 2.3 million. The reason for this was that the food was not being sold according to the country's standards. Secondary data shows that in 2010, Tanzania impounded fake products worth Tshs 18.3 billion.

The Citizen newspaper has this to say on the matter:

‘We seized these items after recognizing that they did not meet legally acceptable standards.....Some product were not registered by TFDA while others were banned from being imported’. (The Citizen, 2014)

The EastAfrican Business Week also reported the matter like this:

‘The products which we seized included cooking oil, iodized salt and some without iodine, infant formula and energy drinks....They may not be fake but in order for your products to be sold to consumers, they must have approval from us first’. (EastAfrican Business Week, 2014)

Lack of funds to finance innovated prototypes also limits commercialisation of innovated technology for small-scale food processors in which government agencies like SIDO have invested. In general, SIDO, as the agency involved with supporting small-scale food processors for trading, market access and finance, also faces challenges to the commercialisation of innovative technology.

Respondent from SIDO said this:

‘Sometimes our officers can design a prototype but we lack funds to finance the commercialisation of new machines’.

Despite that support for introducing new food at the market participants agreed that they face challenges to new fortified foods. One type of challenge is consumers’ lack of trust in the true intentions of the regulatory institutions. For example, when the country decided to introduce iodized salt to the market, there were rumours that the government’s true motive was to reduce fertility and control population growth. This made food processors reluctant to produce this kind of salt. A TFDA respondent explained the challenges as follows:

‘We also face challenges from consumers on the acceptance of this new food at the market - it is there. For example, when we were about to introduce iodized salt, the challenge was that there is a belief that the products is intended to make people in this country infertile’.

In general, food laws in Tanzania give power to different actors at different points in the production process, from processing to transporting to marketing. For example, the Animal and Disease Control Act of 2006 gives power to veterinary officers and other inspectors, such as police officers, at different points during the transportation of meat for inspection. Inspectors from TFDA also have

the power to inspect the same product, as do officers from Tanzania Meat Board. That means a meat processor has to have certificates from TFDA, the local government, and Tanzania Meat Board. This overlap is a challenge to most of food processors in the country.

Respondent from TFDA says like this:

“It true that there is an overlap between TBS and TFDA and the area where conflicts occur is the inspection of the implementation of standards. TBS inspectors visit food processors as inspectors of standards, which is a conflict because we are supposed to do monitoring not them.....All these problems are due to the regulations that were established in 2002, which made it compulsory for them(TBS) to inspect’.

8.7: Summary

This chapter presented findings from four interviews with two food regulators and two private sector support organisations. Three issues were discussed. These are: (1) institutional support to the growth of modern food distribution, (2) the role of institutions on food innovations and (3) institutional challenges to the growth of modern food distribution. The study shows that in general, institutions supported the development of the sector in Tanzania through training of both retailers and food suppliers. Furthermore, law flexibility was introduced to allow retailers to import foods. The study also shows that government agencies play a major role in food innovation in the country, through training. However, government requirements through certifications and delays issuing those certifications limit the commercialisation of innovated food.

Chapter 9: Discussion and Reflection

9.0: Introduction

The core of this thesis' investigation was the exploration the linkages between local food suppliers and modern food retailers in Tanzania. The overall question was formulated as follows:

How can we explain the limited participation of local foods suppliers in the changing Tanzanian food retail sector, and what policies and strategies can increase their participation?

This has been broken down into the following three sub-questions for the sake of clarity (see Chapter 1):

1. What are the key factors driving the development of modern food retail in Tanzania?
2. What factors influence the participation of local food suppliers in the industry?
3. What policies and strategies can be adopted to increase local suppliers' participation in the industry?

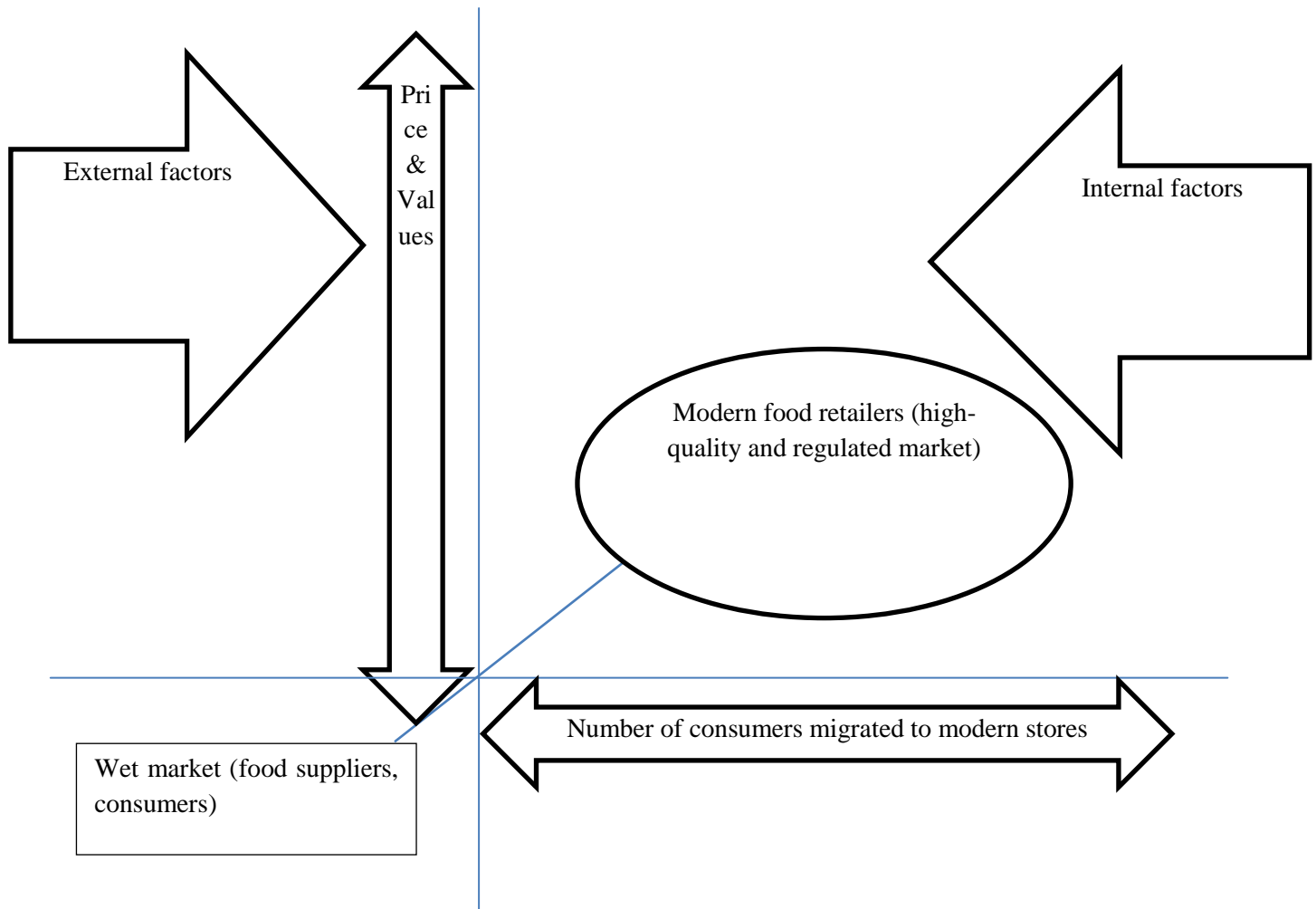
To answer these questions, value chain actors were interviewed (see Chapter 2). These actors were retailers, food suppliers and representatives of institutions. Within-case and cross-case analyses were performed for 16 cases that included seven retailers (7) and nine local food suppliers (9). Furthermore, representative of four institutions that deal with food regulations and the promotion of the private sector in Tanzania were interviewed. A thematic data analysis approach was used for the data analysis (see Chapter 2). This chapter summarises the main findings. It also presents my general conclusions and the implications of the present study for future research in the field.

9.1: Factors Driving the Development of Modern Food Retailing in Tanzania

The analyses of the data (reported in Chapters 5, 6, 7, and 8) show that the evolution of modern food retail in Tanzania was stimulated by both external and internal factors, and that nine factors influence the development process. These are represented in summary form in Figure 9.1.

The external factors are: institutional support, administrative reasons, economic growth, lifestyle change, convenience, and the growth of middle class consumers. The internal factors are: acceptance of trade credit, availability of suppliers and innovation.

Figure 9-1: Factors that influenced the evolution of modern retail in Tanzania



9.1.1: External Factors

The study finds that institutional support has come in the form of flexibility in the enforcement of laws (where strict enforcement is seen as hurting operations of value chain members), as well as provisions for training retailers and suppliers. The findings are consistent with previous studies, which show that institutional support tends to stimulate the development of the modern food retail system in developing economies. Previously, studies have shown that institutional support is country-specific; i.e., that government decisions tend to align retail growth with overall economic plans. For example, in China, the Chinese government demanded that all large stores should be located outside of cities (Wang, 2011; Reardon *et al.*, 2012), and this influenced the format and growth of the retail sector in the country. However, the government was flexible in implementing this policy; it allowed retailers to locate their stores within cities although the space they provided to

customers was smaller than what the policies required. The leniency in policy implementation did not harm the growth of the retail industry. Furthermore, allowing retailers to locate their stores within the cities enabled low-income earners to access these stores. The institutional influence in Tanzania has manifested through rules defining what retailers and food suppliers should or should not do, as well as through accorded given to food suppliers to enable them operate effectively. In Tanzania, food importation is regulated through the use of tariff barriers such as import permits. The current study found that the Tanzanian government provided support to retailers through training and policies that relaxed the importation of some food items while restricting the importation of others. Retailers are also allowed to import some food items without going through the normal TFDA procedures. The government also offered to register local food suppliers, as required by the laws in Tanzania. This came in the form of administrative procedures that kept laboratory analysis for local food suppliers operating under the SIDO on few essential parameters. Exemptions were deemed necessary to enable suppliers to go through authorisation procedures more easily. This had the effect of stimulating the growth of the industry in Tanzania by increasing the availability of local suppliers. In order to ensure the availability of food items whose importation was restricted, the government provided local food processors with some support in the form of training to make it easier for them access locally produced food that met the country's standards as stipulated by TBS and TFDA.

Administrative reasons also emerged as one of the strong reasons for the development of modern food retail in Africa and in Tanzania due for two reasons. First, since it is a lot easier to collect taxes from supermarkets than from traditional food traders, the government has encouraged their establishment as outlets for food distribution. Second, procedures have been put in place to facilitate the ability of food regulators to promote and protect public health through inspections. Experience has shown that it is more difficult for public institutions to regulate food items sold through traditional outlets than through supermarkets. Despite these advantages, the study also showed that it has been the responsibility of the regulatory agencies to control all food items sold due to the lack of availability of resources compared with the vastness of the country. The findings confirm the result of the study conducted in Zambia that found administrative reasons was one of the factors that accelerated the transformation of informal food distribution to modern food distribution (Abrahams, 2010).

Another external factor that stimulated the growth of the industry was Tanzania's economic growth during the past three decades. The understanding is that macroeconomic policy changes introduced in the country in 1985 have led to the growth of the Tanzanian economy. These changes brought an increase of foreign investment in many sectors, such as mining and services. The result is that an increased number of women found jobs within the private sector, such as the financial institutions, and have to work for long hours each day (Reardon *et al.*, 2012). This has influenced their shopping habits. Since the open markets in Tanzania close at 6 pm while the modern supermarkets open for longer periods (some for 24 hours), it has become more convenient for the urban female shopper to turn to the supermarkets for food items.

Lifestyle changes also emerged as another growth-inducing factor within the retail sector. The results show that there has been migration of low-income consumers who prefer to purchase food from modern stores in Tanzania. This change is in contrast to earlier consumer perceptions that modern food retailers were for high end consumers. Middle-income consumers are willing to buy their food items under better hygienic conditions, even if this means paying a little extra for the items. This leads to high number of visitors, which results in the growth of modern food distribution in the country. This finding is in line with a study conducted in Thailand that found that consumers are migrating from wet market to supermarkets due to the safety and quality of products offered in those stores (Gorton *et al.*, 2011).

In line with previous studies, the results of the present study suggest that changes in lifestyle are associated with the ownership of refrigerators and cars at the family level, and impact the growth of modern retail facilities in developing countries (Reardon *et al.*, 2012). The acquisition of refrigerators means that consumers can buy food items in bulk and preserve them in refrigerators. In countries where supermarkets are located at the outskirts of towns, ownership of car can help people support to buy food at the supermarkets. But the present study shows that stores that have emerged in Tanzania are not located outside of the cities, and therefore do not demand customers to own of cars.

The lifestyle changes that have influenced retail sector growth in Tanzania are partly due to the emergence of health awareness, and also to marketing practices that allow customers to return items that they are not satisfied with, and to the possibilities of getting bonuses. In general, studies conducted in developing economies found that consumers buy food from modern stores due to health awareness (Huang *et al.*, 2015). Another study conducted in Kenya by Kimenju *et al.*, (2015)

found that supermarket purchases increase the consumption of processed food at the expense of unprocessed foods. They also found that consumers who shop from the country's modern food stores are from all walks of life - i.e., including low-income consumers. I will return to these points in subsequent sections, where I discuss management innovations.

Fefchamps (1997), as well as Cai *et al.*, (2014) argue that trade credit from suppliers is an important but often neglected source of finance for the growth of enterprises in developing economies. Local suppliers' willingness to accept the conditions of payment imposed on them by retailers (i.e., retailers' preferring to buy on credit) has therefore influenced the evolution of modern food retail in Tanzania. This finding is contrary to results of previous studies, which show that suppliers (rather than retailers) were the drivers of the value chain in Tanzania – i.e., setting the terms of payment (see Hermes *et al.*, 2012). The present study therefore extends our understanding of the factors influencing the growth of modern retail outlets in developing countries.

I argued earlier that some of the problems limiting progress in the industry include supply chain challenges. This problem limits many retailers in Africa to nationwide operations only. For example, when Shoprite entered in Nigeria in 2010, it planned to open 800 stores in five years. However, by the end of 2014, it had opened only 10 stores, and all of them were located in Lagos (The Economist, 2014). This slow growth has been attributed to the shortage of local suppliers. In the case of Tanzania, the results from the present study show that training offered by government institutions to local food suppliers has allowed them to upgrade their production processes. This has resulted in a rise in the number of suppliers who are capable and can meet standards of the formal compared to the informal market, such as street vendors.

9.1.2: Internal Factors

A number of internal factors have been identified as influencing the evolution of modern food retail in the country. These include: availability of good quality products, long opening hours, security services that protect customers while they are shopping, and bonus arrangements. Taking the bonuses first, the supermarkets have set up bonus cards through which an individual customer can accumulate points that can be redeemed for future purchases. As noted above, due to increasing health consciousness in Tanzania, most consumers want to buy good quality products and are willing to pay slightly extra for the quality. For example, a study conducted in Tanzania by Alphonse and Alfnes (2012) found that consumers are willing to pay for tomatoes that were

inspected by TBS. The results from the present study on this issue are therefore consistent with Alhonce and Alfnes' findings.

Innovation has been identified in previous studies as one of the important elements in the evolution of retailing (McNair, 1958; Hollander, 1960; Levy *et al.*, 2005). The innovation referred to in previous studies is more related to changing consumers' perceptions that supermarkets are for high-income earners. This change in perception appears to have occurred in Tanzania as well. My study shows that urban consumers from different strata of society perceive modern food stores as being more safe, secure and convenient. For example, consumers believe that their personal belongings are safe from theft when they buy food from supermarkets, as compared to open markets. The issue of food quality has also emerged in the study as an important consideration. That is, consumers perceive food from the supermarkets to be safer and healthier than food from open market. Regarding to convenience, results show that consumers are happy about supermarkets' 'under-one-roof' marketing strategy. This means that various products such as processed and non-processed food as well as home appliances are sold in the same store. The results of the present study corroborate findings from earlier studies. For example, Levy *et al.*, (2005) and Zhu and Semeijin, (2013) have shown that the availability of good quality products is one of the key factors that influencing consumers' decision to buy from supermarkets in other developing countries.

The study has not been able to determine the relative degrees of importance of the various drivers of evolution of the modern retail outlets, with the focus on consumers in developing countries – an issue that may be a subject for future investigation.

9.2: Degree of Participation of Local Suppliers in the Value Chain

9.2.1: Criteria Used by Modern Food Retailers in Selection of Suppliers

The analyses of the data (reported in Chapters 5, 6, and 7), show that modern food retailers use different criteria in the selection of local food suppliers in Tanzania, and grouped them in six factors. These are represented in summary form in Figure 9.2.

The study shows that retailers normally select local food suppliers that satisfy government requirements to be licensed as food suppliers – i.e., those with certificates issued by TFDA, TBS and TRA. Retailers face penalties if caught selling noncertified products, and their goods can be confiscated. This result is consistent with findings by Digal (2015) from a study conducted in the Philippines. That study showed that retailers prefer to buy from suppliers with legal certificates.

Food quality is another criterion for the selection of local suppliers. Again, these results corroborate findings from studies by Lin and Wu (2011) as well as those by Knox and White (1991). Figure 9.2 shows that retailers use the following factors to determine quality: bar code, well known product, smell, colour, taste and consumers requests for a particular food item. Some stores request that selected employees to conduct tastes on items to determine their quality. There are also situations in which some employees take samples of the food items home to be shared with family members and get their assessment of the taste, flavour, colour and odour.

The results of this study also show that modern retailers rely on consumer feedback to make decisions about whether or not to stock specific goods from local suppliers. As argued previously, retailers have not invested in food laboratories, which means that their own internal capacities to assess food quality issues are low. They therefore rely on comments offered by consumers via suggestion boxes on particular food items to determine their attractiveness to the consumers. Kline and Wagner (1994) obtained similar results in their study. They found that consumer requests are the major factor that influences the retailers' choice of suppliers.

The study also shows that packaging is one of the dimensions that correlates with quality, and is a very strong criterion in selecting of suppliers. Furthermore, Figure 9.2 shows that retailers consider information such as expiry date, physical address, ingredient information, telephone communication, and colour. The label language has to be in Swahili and English or in Swahili with a halal label for meat product. In general, food packaging has to conform to the Tanzania Food, Drugs and Cosmetics (Food Labelling) Regulation of 2006. The regulation states that language on food packaging and labelling to be important, and that the use of Swahili and English is mandatory for the acceptance of packaging in Tanzania. Furthermore, labelling has to be approved by TFDA before being commercialised. The results here are similar to those obtained from a study by Radev (2013), which found that packaging is very important to the acceptance of suppliers of food.

Previous studies show that reliability is one of the most important factors influencing the selection of suppliers who work with modern food retailers (Neven and Reardon, 2008). Interestingly, the current study shows that retailers are not strict on the reliability criterion. Retailers appear to understand the Tanzanian business context. That means that, in some situations, suppliers cannot deliver their products on agreed dates due to infrastructural challenges or power outages. The literature of food distribution in developing economies relates reliability with size. That means that small-scale food processors have a low chance of being selected due to their inability to honour

delivery agreements. However, this study finds that modern food retailers in Tanzania do not consider size to be a strong selection criterion because they usually buy in small volumes.

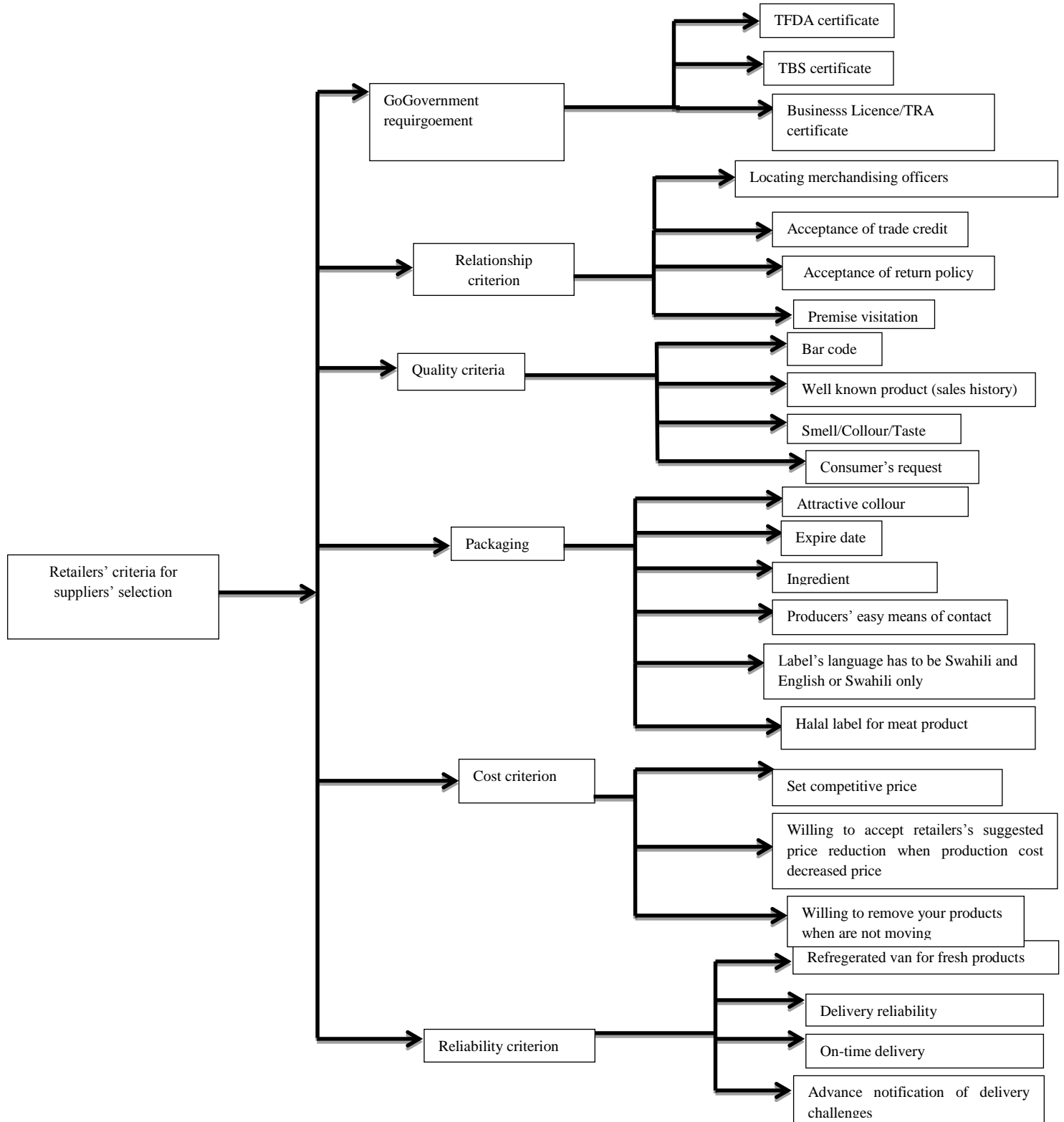
Acceptance of return policy is another criterion used by retailers in the selection of local food suppliers. My finding correlates with a study conducted in China on supermarket buyers' selection of fish, which found that suppliers were influenced by return policy (Hansen, 2001). The replacement/return policy is important for the fresh products like local spinach, tomatoes, carrots and cabbages. Retailers want suppliers to replace damaged items with suppliers bearing the cost of replacement. This means that suppliers who agree to this have a good chance of being selected. This has been the same for the processed food.

Trade credit emerged as another strong factor in the selection of local food suppliers. This shows that modern food retailers are the drivers of the food value chain. However, studies show that payment delays jeopardise relationships between actors in the food distribution system. This finding is supported by a previous study conducted in Tanzania, which found that payment delay limited the growth of the sector (Philemon and Mboma, 2014).

Price is another important factor used in the selection of local suppliers by retailers. For example, my interviews show that Uchumi would like to work with suppliers who can offer prices below what is offered to kiosks and bazaars. The interviews also show that retailers would prefer to negotiate prices and not accept the prices proposed by suppliers. Therefore, for suppliers to be chosen by Uchumi, the prices they offer have to be below those they offer to kiosks. This corroborates findings from studies conducted by Lin and Wu (2011) and Michelson *et al.*, (2012).

Adherence to Islamic practices for meat products emerged as another important criterion in Tanzania due to ethnic and religious diversity within the country. In practice, it has become socially acceptable for animal slaughter in Tanzania to be conducted by Muslims if the meat has to use for commercial purposes. My study shows that both retailers and suppliers are engaged in producing halal products.

Figure 9.1: Criteria Used by Retailers in the Selection of Local Food Suppliers



9.2.2: Trust in Supplier-Retailer Relationship

The study shows that supplier-retailer relationships in Tanzania are characterised by a lack of trust and commitment. Two major factors account for this: (1) introduction of trade credit and (2) return policy. I have previously indicated that these two criteria are used by retailers to include or exclude local suppliers from modern food distribution stores in Tanzania. Local suppliers are not happy with these selection criteria, however.

One of the factors that accounts for the lack of trust and commitment among the actors is payment delay. In some circumstances, suppliers have to boycott some retailers in order to influence payment. These findings are therefore consistent with Cai and Ma (2015) and Philemon and Mboma's (2014) studies which showed that payment delay reduces trust among actors in the food value chain.

There are three types of embeddedness that occur in retailer-supplier relationships in the Tanzanian food business. These are social, territorial and relationship embeddednesses. The literature of supplier-retailer relationships considers territorial embeddedness to be an adaptation (Burt *et al.*, 2015). The focus is on how the external environment can influence the behaviour of actors in a certain context. The interest is in how actors form their relationships and minimise opportunistic behaviour. The food business in Tanzania is characterised by indigenous entrepreneurs with a low level of education and capital and lack of trust (Ngaruko, 2014). That means that influence of external actors is very important for the establishment of trust. Previous studies in grocery retail embeddedness ignore the influence of government agencies on the marketing of food in developing economies. For example, Kumar and Steenkamp, (2007) focused on the retailer and manufacturer as 'brand control' marketing dyadic relationship.

The study shows that there is both formal and informal training among actors. Retailers provide informal training to food suppliers in packaging, labelling and marketing information. Government institutions as external actors also provide formal training. As I previously argued, these trainings stimulate the availability of local food processors who meet the country's food quality standards. On the other hand, support provided by retailers to upgrade local food suppliers is very minimal.

Societal embeddedness signifies the societal importance of where an actor comes from, considering the societal (i.e., cultural and political factor e.t.c) (Hess, 2004, p. 179). Kuada (2007) argues that social ties and networks formed outside the state structure can enable companies to minimise opportunistic behaviours among their partners. Similarly, Burt *et al.*, (2015) argue that effective

communication enables retail to establish societal embeddedness with stakeholders in the local context. In that regard, it was expected that actors in the food distribution system would do more to stimulate friendship and social ties. The current study found that retailers managed to establish social embeddedness with local food suppliers by breaking through the long-standing culture of a cash economy. However, the study also found that in some cases, trade credit arrangements constrained communication between retailers and suppliers, thereby impinging on societal embeddedness in the food value chain.

Relationship embeddedness emerged from the acceptance of new rules introduced by retailers to local food suppliers. Anderson *et al.*, (2005) argue that because resources are scarce, relationship embeddedness usually occurs among firms. Partners in the relationship provide mutual support. Nevertheless, they act as the drivers of the value chain by creating new rules that govern food suppliers, such as trade credit and return policies. At the same time, I noted earlier that there is low degree of trust and commitment in the supplier-retailer relationship due to payment delays by retailers. This damages the relationship. There is therefore an obvious relational management challenge within the value chain. The question is how the retailers can remain drivers of the chain without providing the local suppliers with the expected support. This appears to be happening because of the asymmetrical power relationship between the retailers and the local suppliers.

9.2.3. Commitment in Supplier-Retailer Relationships

The literature argues that social and business events enable actors in marketing channels to establish or destroy commitment. The study identified the example of many suppliers being unwilling to attend a dinner gala events organised by retailers. They instead preferred informal meetings and support to local or family events, such as providing food for a funeral ceremony. This may be a reflection of the cultural differences between the retailers' business world and that of the suppliers. Furthermore, payment delays and return policies are considered to be signs of a lack of empathy by local food suppliers. This perception threatens the ability to build of a committed relationship between the modern food retailers and local food suppliers in Tanzania. This suggests that partners need to be realistic about the policy of trade credit in order to minimise the bad perceptions local food suppliers have of the policy so that they can attain a level of empathy that allows them to understand how decisions truly affect the other each side's well-being (Day *et al.*, 2013, p.160).

The results also show that, although modern retailers impose stiff conditions on local suppliers, they do not provide them with any support. At the same time the suppliers are overwhelmed by the retailers' pressure to improve food standards. This conflict has resulted in frustrations and instances of local suppliers giving up on doing business with retailers. For example, Mzomo Services Limited decided to end its relationship with a retailing chain store with four outlets in Dar es Salaam.

My theoretical discussions in Chapter 4 show that understanding factors that influence the establishment of commitment in marketing channels is important for both retailers and suppliers. The empirical results presented earlier show that commitment in downstream food distribution in Tanzania is established based on behavioural and affective commitment dimensions. Continuance commitment is seen in the degree to which partners maintain their relationships through the ups and downs of business activity. The findings show that continuance commitment is low in general when payments to suppliers are delayed. Mishandling goods can also lead to low levels of continuance commitment. These factors alone would lead to lower levels of trust of modern food retailers among suppliers. For example, Meat King stopped supplying to Shoprite Supermarket after the latter hygienically handled meat. This suggests that a mistake by the supermarkets can lead to a loss for a supplier. On the other hand, retailers shield themselves from any loss occurring as a result of the procured products, either from its expiration dates or to any damage it sustains. One of the suppliers remarked:

'We are not selling to Shoprite because they could not keep their fridges in good condition. We used to supply and then we went there the fridge is broken and the meat is rotten. We stopped supplying to them. No! They said they would change. But it was not good to trust them. Also, they were not good with payment. We had to fight for our money. It took a long time. So from there, it was not worth it'.

Surprisingly, the present study shows that reliability, price and volume do not influence continuance commitment on the side of retailers. Regarding price procurement, an officer of Uchumi Supermarket said:

'For example, if you are growing crops during the drought season, the price is high compared to the rain season, while for Nakumatt there is no price change depending on the season. I have decided not to supply some of my products if price is not increased. For example, they asked me, why you don't supply lettuce, Mama. I replied, I sell at the farm level price and you don't want to

increase. They boasted in the first week and second week, and told me, “Mama just, supply for the newly suggested price”. They can listen on price change but you have to boycott supplying, otherwise they will not consider your complaint’.

Furthermore, study indicates that the location of merchandising officer who is dealing with particular supermarkets increases the continuance commitment as perceived by retailers. In general international retailers see this fact as more important than do local retailers. Only Panone Supermarket that considers the assigning of the merchandising officer is important for local modern food retailers. In spite of that failure to locate merchandising officer does not lead to rejection of the products of the particular food processors. Deputy managing director of Panone Supermarket has this to say:

‘They also locate their merchandising officers at our stores to assist us in displaying their products and educating our customers on the use and benefits of their products. But for our local food processors, most of them don’t do those things, and as I said, that limits the market acceptance of their products’.

Therefore, the low of level of continuance of commitment could be due to three factors. First, it could be influenced by retailers faced with financial constraints. In general, continuance commitment occurs when a lead firm supportssuppliers by investing in one of its value addition activities to improve performance. But study shows that retailers are not ready to support financially or technologically local suppliers. Okeahalam and Wood (2009) found that retailers in Africa finance their activities through retaining earnings contrary to Europe and America, where they use capital markets. Furthermore, African retailers operate in a high-risk business environment, which results in high investment risks. This perhaps limits retailers in their support of local food suppliers despite a study conducted in Tanzania showing that domestic manufacturers are poorly financed, which limits their growth (Lindvert *et al.*, 2015). Second, the study was conducted at the early stages of the emergence of modern food retail in the country. There is a general consensus that commitment is a process that takes place over time and is reflected in the business environment. Previous studies show that retailers in developed countries support suppliers from developing economies financially and train them to produce certified products, as in the fair trade scheme. The assumption is that retailers take some time to identify with whom actors to partner. Previously, I argued that the Tanzanian business environment is characterised by opportunistic behaviour, which means that investment support by retailers would not occur at the early days of retail business in the

country. The third factor would be that there are a large number of suppliers compared to retailers, many of whom are supplying similar products (i.e., maize flour and rice). This suggests that as retailers access more products easily, it is likely that would prefer not to invest in suppliers who face resource constraints. Evanschitzky *et al.*, (2006) suggest that continuance commitment could arise from lack of alternatives among actors.

The study shows that local food suppliers perceive modern retailers as having a low level of behavioural commitment, as evidenced by their payment delays and return policies. It also shows that, in some cases, local suppliers refuse to supply certain some of the commodities due to late payments and disagreements regarding price changes. This finding is in line with Kim and Frazier's (1997) view that behavioural commitments could be a pressing problem in retailer-supplier relationships in developing countries. We found that behavioural commitments manifest in conflicts between suppliers and retailers presumably because retailers do not provide tangible resource investments to local food suppliers (e.g., in the form of money for investments in machines).

9.2.4: Strategies for the Increasing Participation of Local Food Suppliers in Modern Food Distribution

The study shows local food retailers use four strategies to increase their participation in modern food distribution. These are: network, innovation, outsourcing and recruitment of experienced staff.

Recruitment of experienced staff enables local food suppliers to produce commodities that meet consumer demands. In general, food suppliers of maize flour, meat and tomato paste have employed graduates with experience in food processing, many of whom are foreigners. These employees seem to be the engine for success of a number of food suppliers. Furthermore, food innovation initiatives taken by local food suppliers recently in meeting consumer demands and government requirements have increased local food suppliers' participation in modern distribution in Tanzania. The role of government institutions in supporting the innovation process is quite evident. This takes the form of training and support to enhance local food processors' standards.

Network is another strategy used by local food retailers in increasing their participation in modern food distribution. The study shows that retailers use education, working and tribal networks to increase their participation in modern food stores in Tanzania. For example, Namazone Business Center became a supplier to Nakumatt by exploiting its owner's network– a network that he became part of while working as a Corporate Manager with AMREF in its Nairobi office. This is consistent with Barney's (1991) observation that social complexity in the form of managers' relationships gives firms a competitive strategy. Another study conducted in Tanzania found that personal

relationships are important in developing relationships between actors in agribusiness value chains (Ngaruko, 2014).

Outsourcing certain value chain activities enables food processors to be reliable and stable in providing quality products to retailers. Interview results indicate that food processors engage materials suppliers in contract farming. Previously, I argued that firms in developing economies are faced with a lack of financial resources. Therefore, engaging in the outsourcing of raw materials from suppliers reduces their cost of operations. The interesting thing is how these firms developed relationships with suppliers of raw materials in a country characterised by opportunistic behaviour and without formal contracts.

9.2.5: Sources, Types and Challenges of Innovation Among Local Suppliers

There are five types of innovation used by local food suppliers in Tanzania to meet market demand. These are: packaging innovation, product innovation, processing, distribution and credit policy. The diffusion of innovation, theory suggests that the primary driver of innovation diffusion is the adopter or the demander of the innovation and that firm's interactions with other adopters (Shanahan *et al.*, 2008). It has been argued that in developing countries, interactions between indirect actors' government agencies may also have major role to play in the diffusion process (Kuada, 2003). The present study shows that local food processors rely on retailers, distributors and government agencies. Retailers and food distributors provide information to suppliers about packaging and product quality. This finding is in line with that of Fortuin and Omta (2009), who found that downstream actors are major sources of innovation in the food industry. Government agencies also emerged as strong sources of innovation due to their mandate as food regulators. The study shows that retailers and food suppliers have to adhere to the quality and standards set by TBS and enforced by TFDA.

Previous studies demonstrated the importance of communication to successful innovation. For example, Tepic *et al.*, (2014) found that communication capability has a significant effect on the likelihood of project success. Rogers (2003) also argues that interaction is very important to the flow innovation ideas. Furthermore, Caiazza *et al.*, (2014) argue that for firms to apply that exist in the marketing that innovation ideas have to interact under the policies defined by actors. The present study adds to the existing body of knowledge by providing some evidence regarding why modern food retailers do not share important market-related information with food suppliers despite the connection between information sharing and the success of innovation. The results suggest that

retailers are unwilling to interact with local suppliers on a regular basis due to the fear that they may be pressured to address outstanding payment issues.

Delays of authorisation from government agencies also appear to influence the innovation process. In some cases, agencies that deal with food certification failed to issue certificates on time, spending up to two years processing applications from suppliers. The findings are therefore consistent with existing knowledge in the area. For example, Al-Mutairi *et al.*, (2015) found that bureaucracy is major problem facing actors in the food industry who want services from food regulatory bodies in developing economies.

9.3: Overall Contributions of the Study to African Food Marketing Literature

9.3.1: Extension of Existing Knowledge on Interactions within the Food Value Chain

Previous studies conducted in Africa concerned factors that constraining local, small-scale producers from participating in mainstream markets (Muhanji *et al.*, 2011; Heijden and Vink, 2013; Mabuza *et al.*, 2013). Those studies focused chiefly on the ‘*supply side*’ and less on the ‘*demand side*’ (i.e., the buyer), and on how relationships between those actors produce linkage advantages for suppliers (e.g., upgrading). The present study is built on the understanding that insights into the demand side of the value chain and the influence of external actors is equally important to any meaningful attempt to develop policies and strategies that enhance the growth of modern food distribution systems in Africa. In light of this observation, the present study makes both conceptual and empirical contributions to the literature on food marketing in Africa. Conceptually, it provides a model for studying the processes and challenges of integrating local food suppliers into the emerging modern food value chain. This model was presented in Chapter 4 and was developed by integrating DOI and GPN perspectives into the network theory. I have argued that each of these theories provides only a partial understanding of the issues this dissertation seek to address, leading to their integration. The model I have constructed is also built on the understanding that strong relationships between retailers, government institutions and the local food suppliers are important in enabling local suppliers to supply items that fulfil the needs and expectations of the market. I called this a triadic relationship, as opposed to the dyadic relationships usually described in the marketing literature. Empirically, the study provides additional insight into the key factors that drive the development of modern food retail in Tanzania, the factors that influence the participation of local food suppliers into the food retail sector. It also provides some understanding of the policies and strategies pursued in the country to increase local suppliers’ participation in the food value chain.

Returning to the conceptual model first, I have argued that local suppliers must be innovative and possess a good capability for absorbing new ideas to enhance their attractiveness to modern retailers and fulfil the needs of the market. I have also argued that the ideas they need to drive their innovative efforts must originate from the market. Furthermore, these ideas are channelled through the retailers, who thereby serve as gatekeepers. This means that good relationships must prevail within the value chain in order for information to flow from the market to the retailers and then to the local food producers. The study has, however, shown that the flow of ideas from retailers to local food producers in Tanzania has so far been constrained partly by relational strategies that retailers have adopted including their return and trade credit policies.

In spite of the constraints to information flow, the study shows that the local food suppliers have made some modest innovations and, if supported they could improve their innovative potential substantially. The types of innovation that have been identified among food suppliers include the following:

1. **Packaging**, with a specific emphasis on the colour, size and shape of the package. Some suppliers also changed their logos to meet the requirement of the final consumers, as provided by retailers – e.g., Halal packaging labels.
2. **Food fortification**, especially for major cereals and flour, such as wheat and maize flours.
3. **Processing**, e.g., some processors purchased chiller machines for improving the quality of frozen meat chicken.

However, the study also indicates that consumers tend to limit the ability of local food processors to promote new products. This factor is more common for the staple food items such as maize flour, for which consumers prefer refined maize than wholegrain (*dona*) maize flour or fortified maize flour. The cross-case analysis shows that firms' whose innovation decisions were influenced by consumer preferences include Monaban, Darsh Industries and Basic Elements. For example, Monaban in 2012 introduced fortified maize flour, as required by the government; however, at the market, consumers were not used to food fortification. The maize fortification was rejected by consumers due to consumers' preference for other products. My findings are therefore in line with results from studies by Stern *et al.*, (2009) and Tepic *et al.*, (2014).

9.3.2: Another Look at the Retailer-Supplier Selection Process

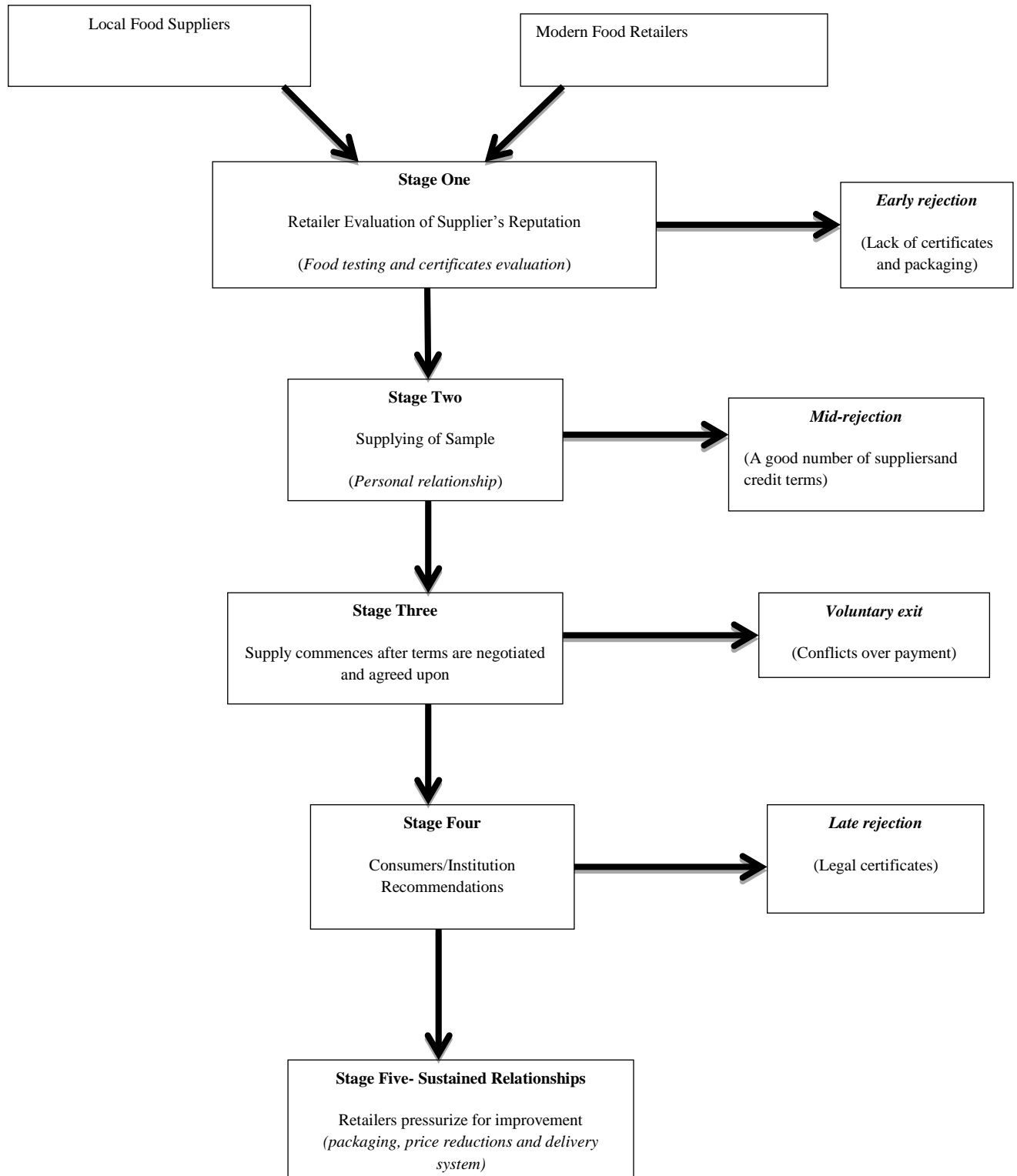
The study also contributes to a more nuanced understanding of local suppliers' inclusion/exclusion processes within the Tanzanian food value chain. In this regard, it is important to stress that retailers' buying behaviours are not only influenced by direct actors but also by indirect actors (e.g., food regulators). Many of the factors that influence retailers also influence suppliers in deciding whether or not to engage in a transaction. This is presented in Figure 9.3. First, the government has introduced a policy that requires retailers operating in Tanzania to buy not less than 40 per cent of their food items from local food processors. Despite this requirement, retailers appear not to make a significant effort to buy from local suppliers. There are a variety of explanations for this, including the relatively large number of suppliers compared to the smaller number of modern food retail stores, the provision of tax exemptions to food importers and the preference of consumers for imported foods items.

Figure 9.3 shows that exit or rejection can happen at any of the four stages. In general, exits at stages one to three are characterised by relational difficulties, including a lack of communication among actors. This is anticipated in the existing literature on supplier-retailer relationships (see Dwyer *et al.*, 1987). Furthermore, contracts are rarely signed, and for those that do exist are rarely enforced.

Stage One: Retailers' Early Screening

Previous studies have shown that buyer motives may be influenced by many reasons, such as supply chain problems (Ford, 1980; Sheth, 1980) and experience with the old suppliers (Ford, 1980; Emongor, 2008). This study finds that local suppliers initiate the process of inclusion within the food value chain by contacting targeted retailers. As indicated in Figure 9.3, the formal process goes through the following stages show: (1) presentation of legal certificates, (2) providing food samples for testing (3) supply of trial sample for display in the store (if sample meets retailers' requirements). (I have earlier indicated that some local suppliers use informal networks to attract the attention of retailers.).

Figure 9-2: Stages in the Local Retailer-Supplier Food Buying Process



As indicated earlier, Tanzanian laws require all suppliers to obtain certificates from TFDA, TRA and TBS. Certificate presentation is the first step that shows whether or not the supplier merits consideration. The retailer may then examine certificates to ensure that they are genuine. The findings in this study are contrary to previous findings, which suggest that buyers are apt to become aware of local merchants and brands advertised in frequently viewed media (Dwyer *et al.*, 1987, p.15). They do support Digal's (2015) finding that early rejection can occur at this stage due to a lack of certificates. Therefore, to establish trust with the retailers, a supplier has to present certificates issued by the food regulators (Sheth, 1980). Issues of capacity and reliability to supply are not given any importance at this stage due to the low volume of goods sold through modern food stores in the country.

After being satisfied with the certificates, the retailer may ask for the sample for a test of quality. Because retailers in Tanzania do not have food technologists, the only technique they use is to have some of the staff eat the supplied food to test its taste and quality. This can take place on the premises or at home (home tasting is usually done for staple food items, such as maize flour or dried beans). This exercise can take two to three weeks. For accepted goods, the supplier may be asked to supply a trial sample for display without pay. Drawing from case study findings, this stage is characterised by: presentation of legal certificates, food testing (taste and odour) and packaging. In general, the evolution of a manufacturer's reputation based on certificates is very important to retailers to minimise the risk being penalised by food regulators (White, 2000). It is also important to acknowledge that suppliers are influenced by both the retailer's image and personal relationships to supply without relying formal contracts but instead on verbal contracts.

Stage 2: The Early Stage

This stage is characterised by acceptance or rejections, either by the supplier or the retailer. The supplier may reject the terms of delivery and payment proposed by the retailer for the procurement of the goods. Previous studies show that retailers prefer suppliers who are lenient on the credit terms the retailers present (Sheth, 1980; Duffy *et al.*, 2003). Rejection of suppliers may be influenced by a lack of trust due to the requirement of trade credit and return policies that are used by modern food retailers. I argued previously that the food business in Tanzania was long time were considered to be driven by food suppliers, and therefore some are not ready to accept the new 'rules

of the game' such as return policy. On the other hand, open market and kiosk traders buy on a cash basis, and once a product has been sold to them it cannot be returned to a supplier based on any damages or expiration dates, the conditions demanded by modern food retailers. The retailer may also discover that the product is not in demand, and therefore decide not to stock it. But acceptance is also influenced by personal relationships such, as schoolmate connections and attending informal meetings such as going to the pub.

At this stage, suppliers accepting trade credit and return policies are in many cases considered a commitment by modern food retailers. That, in turn, may influence a supplier to supply good as a trial. However, agreement is guided by verbal contract. The study finds that the buying process is not a group effort; it is a job performed by an individual. This is in contrast to Western countries where the buying process is the responsibility job of a team with specific products (Johansson and Burt, 2004; Thomas and Marr 1993). Furthermore, the study found that in many cases, exchange occurs without legal contracts. That suggests that personal relationships based on trust facilitate the establishment of supplier-retailer relationships at this stage.

Stage 3: The development stage

This stage is characterised by more goods being procured on credit by a retailer. However, the study shows that some local retailers may prefer to procure without contracts. As the suppliers deliver more goods trade credit tends to become a heavy burden to suppliers, since many retailers demand 90 days credit. Some local suppliers may decide to discontinue the relationship due to the unfavourable conditions of payment. The finding here is similar to the study conducted in India on fresh produce, in which suppliers decided to abandon supplying to modern food retailers (Trebbin, 2014). This voluntary rejection by suppliers is correlated to some of the retailers not receiving phone calls when they owe suppliers. Gyau *et al.*, (2011) argue that good relationships among actors in the food value chain are promoted by a good flow of communication. Therefore, a poor quality of communication after the provision of goods on credit by retailers minimises the level of trust and commitment between retailers and suppliers in Tanzania.

The study shows that this stage is characterised by a lack of trust, and that retailers are becoming more powerful. Issues of power are revealed due to the fact that some of the retailers are not ready to accept price increments. Due to seasonality, some of the food crops are becoming scarce, and so

prices are increasing at the market. However, the study shows that modern retailers are quick in accepting price changes due to seasonality. This leads some of the suppliers to stop supplying to modern retail firms and concentrate on kiosk and open market traders.

Stage 4: Evaluation Based on External Actors

Stage four is characterised by late rejection based on consumers or food regulator bans. If food regulators ban food distribution, in most cases, the retailer bears the cost and penalties. Consumer recommendations can cause also late rejection, which is related to alterations in the taste and flavour of food items. This is supported by a previous study by Kline and Wagner (1994), who found that retail buyers relied on recommendations from consumers and other buyers from other retail stores. The study shows that the government ban concerns the labelling requirement, and that some food penetrated at the market without the Swahili or the English language, as required by food regulations in the country.

Stage 5: The Long-term Stage

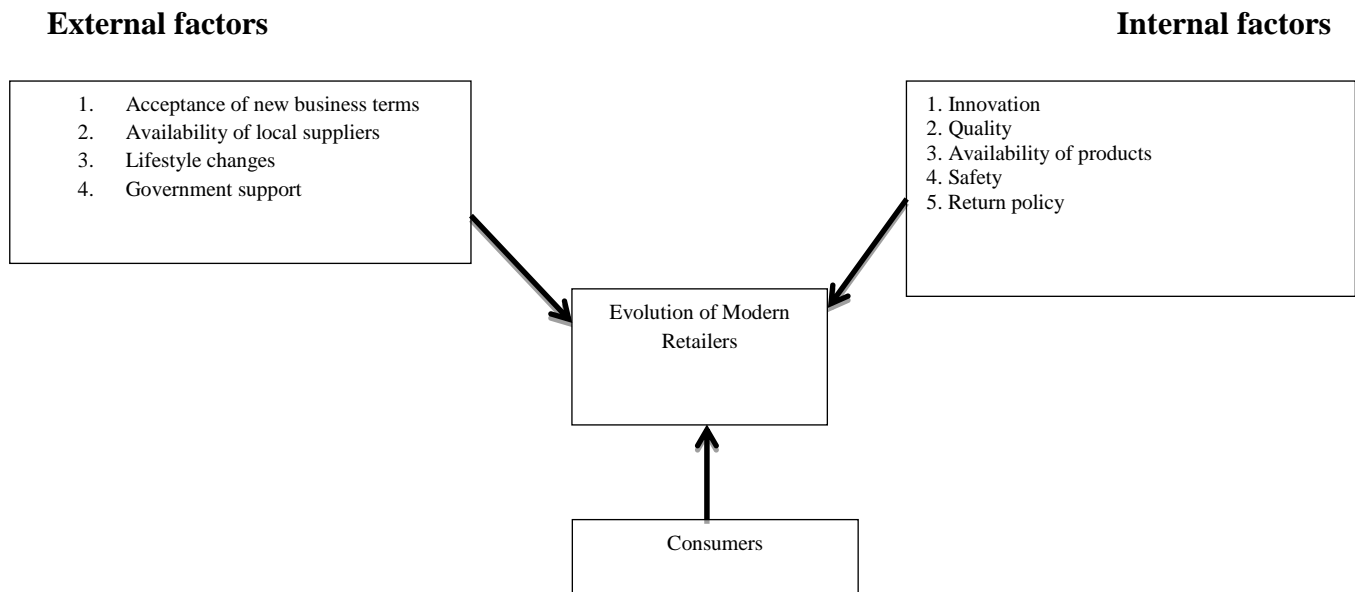
This stage is characterised by commitment and the sharing of marketing information among actors. In the long-term retailers rely on consumers to share market information with suppliers. This is in line with Powers and Reagan (2007), who found that trust in buyer-supplier relationships, occurs at the last stage of relationship formation. Few suppliers accept new ideas shared by retailers on the improvement of the products. There is a high level of trust and commitment between actors, but only regarding the exchange of marketing information and not the supporting of value chain activities. This may be influenced by the fact that suppliers supply foods that are more generic; therefore, there is no competition their end. Bandyopadhyar and Paul (2010) argue that in that market situation, there would be no coordination between value chain actors. The study shows that retailers do not support local food suppliers financially, even to acquire new technology. That suggests that the power of retailers have over suppliers is limited, because dependence on valued resources is low (Emerson, 1962).

9.3.3: Another Look at the Evolution of Modern Food Retail in Developing Countries

The study also provides additional insight into the evolution of modern food retail in developing countries in general. Kaynak and Cavusgil (1982) argue that in developing economies, modern retail does not evolve in a manner described in the cycle or stages model, but rather starts from non-existent format. Drawing from the framework proposed in Chapter 4, which assumes that internal

and external factors would influence the evolution of modern food stores in developing economies. I construct a model based on the empirical findings in this study on the evolution of modern food retail in developing economies, using case of Tanzania. The model suggests that the evolution of modern food retail in Tanzania is influenced by both internal and external factors.

Figure 9.4: A Framework for the Evolution of Modern Food Retailing



Influence of External and Internal Factors on the Evolution of Retailing

Previous studies on retailing have grouped the influence of external factors into two categories: historical matters and environmental consideration (McArthur *et al.*, 2015). Historical considerations see the evolution of retail as the path of events that occur over time (Hollander, 1960; Hodgson, 1998). Gist (1968) and Clarke (2005) are some of the scholars who have used environmental consideration with the focus the PESTEL model to indicate their impact on the evolution of modern food retail. The major achievement of this group is the consideration of consumers as the major drivers of the evolution of retail (Buckley, 2011; McArthur *et al.*, 2015). In spite of that effort the role of consumers was marginalised because the model focused only on their reaction to the new formats or innovation introduced, such as self-service and not on their role in pushing the evolution of retailing (Cohen, 1996).

The current study adds four elements to the model, which we believe are very important to the evolution of modern food retail in developing economies: acceptance of new business terms,

availability of local suppliers, lifestyle changes and government support. In general, the model sees the influence of other stakeholders on the evolution of retail in developing economies. These factors have been ignored by Western-inspired theories.

1. ***Acceptance of trade credit:*** This study shows that the acceptance of trade by local food suppliers can accelerate the evolution of modern food retailers in developing economies. Previous studies on suppliers' trade credit in Africa shows that frequent purchases and purchases in bulk, overdraft facilities and high stock at the end of the year relative to sales influenced suppliers to provide trade credit (Fafchamp, 1997; Bade and Chifamba, 1994). Interview results from the present study show that the incentive for local suppliers to accept the trade credit terms proposed by retailers include the opportunity to supply to a reputable retailer, a stable price and the possibility of increasing volume as the number of stores increase. Not only does the acceptance of trade credit mean that modern food retailers would be in position to source some of their products from local suppliers and overcome problems associated with food importation in number of African countries, they would also be able to reduce their working capital. For example, the exit of Woolworth from the Nigerian market in 2013 and the failure of Shoprite to open their 800 stores as planned in 2005, instead only opening three stores in 2014, were associated with a supply challenge (The Economist, 2014).
2. ***Acceptance of return policy:*** Return policy is a long-time concept in the marketing literature; however, the concept was researched from the perspective of competition (Bandyopadhyay and Paul, 2010; Pasternack, 2008). The current findings show that the acceptance of return policy by local food suppliers influenced the evolution of modern food retail in Tanzania. Therefore, the acceptance of the policy increased supplies from local food suppliers and helps modern food retailers reduce the risk associated with importations and the number of imported items they sell. Supplies of generic food have, therefore, increased competition among suppliers. Bandyopadhyay and Paul (2010) argue that in such a market situation, there would be no coordination between value chain actors. Our study shows that retailers in Tanzania do not support suppliers financially or provide managerial training to boost suppliers' capacities. Therefore, the acceptance of trade credit by local food suppliers suggests that there are more suppliers than buyers of food items in Tanzania. However, it is difficult to understand why local food suppliers accept return policy when they can sell for cash to the open market and kiosks without the risks of having their items returned.

Interview results provide two possible explanations. First, the cost of distribution when working with modern retailers is lower because they have one delivery point, while kiosk buyers are widely populated, and distribution costs are therefore considerably higher. Second, the price offered by modern retailers is stable, while prices offered by kiosks buyers fluctuate.

3. **Availability of local suppliers:** This factor relates to the acceptance of trade credit and return policies: however, accepting to work with retailers alone could not support the evolution of the retailing sector. The argument, however is that the availability of local suppliers was mandatory for the sector due to the fact that food importation is associated with a number of bureaucratic challenges at the ports. That means that the availability of local food suppliers with the capacity to supply to these stores made the growth of the sector possible.
4. **Innovation:** Innovation emerged as one of the strong internal factors enabling the evolution of modern food retail in Tanzania. Apart from innovation in terms of packaging and food fortification by food processors, some retailers also engage in innovative marketing methods, such as the use of loyalty cards. There is a general consensus that loyalty cards can retain customers to certain retail stores (Corstjens and Lal, 2014). The study found that the introduction of loyalty cards enabled the retail outlets to attract a good number of low-income earners and modified their image as shops for high-end consumers, hence the increase their volume of sales. By using loyalty cards buyers can earn points, which can be used to buy certain products at particular stores. The assumption is that low-income consumers would prefer to shop at these stores rather than at kiosks or at open markets because they can redeem their points at modern stores.
5. Just as in previous studies, **quality and safety** factors as emerged as strong related factors that were also associated with the evolution of modern food retail stores in Tanzania. In general, modern food stores provide better space for middle-class consumers to shop compared to open markets. Another factor is that the **availability of different products** in these stores made them more convenient for many young urban consumers compared to open markets. Put simply, an individual can buy both dried foods and fresh products at one supermarket (**the under one roof strategy**), whereby at a kiosk or an open market this requires visits to a number stop shops. This convenience has led many consumers in Tanzania and other developing economies to migrate to modern stores, which has influenced the evolution of modern food retail stores. The study shows that **return policy** (whereby

retailers accept the return of a product by a final consumer) as implemented by modern retailers influenced the evolution of modern stores, whereas at open markets or with hawkers, it is very difficult for consumers to return damaged products once they have been sold. However, the study found that return policy has some impact on retailers, because some of the local food suppliers are not used to bearing cost of returned products once sold to kiosk or hawkers.

9.4: Strategic and Policy Implications of the Study

The study draws attention to some ‘best practices’ that are emerging within the Tanzanian food value chain. Other actors within the food value chain can learn and adopt these best practices in order to enhance their individual performances and the overall growth of the sector. For example, some food suppliers are using distributors to serve consumers in other parts of the country and thereby to extend their outreach (e.g., Happy Sausage, Kijenge Animal and Darsh Industries). I therefore encourage local food suppliers to consider using distributors (perhaps as agents) in order to reach different regions in the country, because the cost of direct distribution seems to limit their expansion to some locations.

The study also shows that in some situations, social variables are very important in establishing relationships with retailers. These are schoolmates and former employees. However, suppliers and retailers do not give significant priority to participation in the social events. For example, Monaban Trading Company has an annual ‘Monaban Day’, which distributors are invited, but modern food retailers are not. It may be useful for them to consider the benefit of these social events and pay them additional attention.

Some of the challenges faced within the food distribution system may require intervention or involvement of the other actors within the Tanzanian business system. For example, in order to increase the linkage of local food suppliers with food retailers in the country, I suggest that commercial banks work with retailers to design a loan against the trade credit to the suppliers. This may give local food suppliers a chance to have working capital and meet market demands. Recently, in Kenya, Brookside signed a deal with 15 commercial banks that may allow contracted farmers to access loans when they present ‘milk-delivery statements’ (i.e., evidence of milk sales) to any banks under the contract (Daily Nation, 2015). This arrangement can be replicated to foster supplier-retailer relationships in Tanzania.

There are also some policy implications that deserve attention. Despite increasing flexibility within government agencies in their oversight roles, the study shows that local food processors are not happy with the current level of bureaucracy and necessary procedures. It is time for government institutions working within the food sector to shift from their role as policing institutions to one as being ‘facilitators’ for the growth of the sector. In many cases, food suppliers have been penalised by food regulators for failing to adhere to or understand the laws that govern food distribution, processing and handling in Tanzania. In light of the fact that most of the entrepreneurs in Tanzania have low levels of education or no formal education whatsoever, some training is still necessary for the growth of the sector. We have also mentioned situations in which some suppliers had submitted a sample for analysis in the regulatory agencies (and paid fees for it) without receiving the results after three years. This is a serious resource constraint that limits growth within the sector. There is the claim from the food suppliers in this study that Tanzania has many regulators for food and any of them can limit your potential. For example, Tanzania Meat Board has to issue a certificate that costs Tshs 800,000 for a duty similar to that performed by TFDA. The issue of institutions having overlapping functions is not new in Tanzania, and this problem must be addressed, since it imposes an unnecessary burden on most of local food suppliers.

Payment delay seems to be unbearable to local food suppliers, and an unfair practice. In that regards, I would like to suggest a code of conduct that may be used as a guiding order and other activities between retailers and suppliers in Tanzania. For those codes of conduct to be meaningful, modern retailers and suppliers should have associations that govern and monitor their activities. For example, in Kenya, where supermarkets are more advanced than in Tanzania, both downstream actors have their associations. Therefore, I argue Tanzania supermarkets and local food suppliers to form associations that may create form codes of conduct with the goal of minimising conflicts in the food value chain between actors for the benefit of all distribution channel members.

9.5: Areas for Further Research

The scope and limitations in the present study also provides opportunities for further research. First, since this study is focused on the demand side, it would have been useful to include consumers as one of the actors in the empirical investigations. Furthermore, I acknowledge that food safety is very important for the prosperity of any nation, and thus that certification and regulation are key components to assuring food safety. There is a need to further investigate what policies can ensure

food safety without being too bureaucratic or constraining the marketing process. For example, could it be possible for policy-makers to create a one-stop shop desk that could issue certificates and be recognised by other actors? Trade credit was linked to the poor flow of innovation ideas in food innovation between downstream actors in Tanzania. Downstream respondents demonstrated that modern food retailers are not in regular contact with them due to fear that outstanding payment issues may crop up in their conversations. Here again, additional investigations is required for the development of mechanisms that will strengthen information flow within the food value chain.

Samiee (1993) argues that intermediaries are important players in the distribution of African consumer goods. For example, this study shows that most of the foods stocked by retailers in their stores are imported. I therefore consider the inclusion of importers in the future studies on the evolution of the food retailing in African countries. Again, the current study considered only the commitment of local suppliers. Future studies can see if there is difference in factors that influence commitment formation between suppliers of locally made food products and for those of imported products. Furthermore, future studies can separate suppliers of fresh food products (fruits and vegetables) semi-processed (such as chicken and beef) and packaged food products, and analyse the differences between them. It is important to bear in mind that the establishment of relationships is influenced by culture and by the perception of an individual at the firm level. I encourage future research to investigate the impact of culture on the formation of relationships between local suppliers and international retailers operating in Tanzania. Finally, I have not been able to determine the degrees of importance of the various variables that I have identified in the empirical investigations – e.g., factors that influence the growth of the modern retail outlets. Future research may address this omission in the present study.

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List of Appendices

Appendix 1:

Integration of Local Food Suppliers in Tanzanian Modern Retailing Industry

(Business Associations/NGOs/Government Agencies and Ministries)

The Interview Guide

My name is Felix Adamu Nandonde, I am a PhD student at Aalborg University in Denmark. I am currently undertaking research as a requirement for the completion of my PhD studies on the Integration of Local Food Suppliers in Tanzanian Modern Retailing Industry. I very specifically look into the development of food retailing and the participation of local food suppliers in the sector. My approach is a case study design involving extensive interviews with managers/owners of retailing firms operating in Tanzania and supporting organisations.

As one of the organisations that have a direct influence on the food business in Tanzania, your organisation has been identified as one of the potential organisation in this study. I would like to invite you to spare one hour of your time for interviews on issues associated with procurement and handling of agri-food products in relation to issues such as the quality, safety, and standards from local agri-food suppliers.

We will ensure the confidentiality of this information. Thank you very much for your participation.

For further information you may contact me via fan@business.aau.dk

Or for further clarification:

Prof John Kuada (kuada@business.aau.dk)

A. Organisation Information

Please fill in the following information:

A.01	Organisation name.
A.02	Position of the interviewee in the organisation

A.03	Physical address of the organisation (Headquarters)

B. Tanzanian business environment

B.01	<p>How would you describe the Tanzanian business environment for the growth of food retailing/ processing?</p> <p>-Politically/laws and regulations</p> <p>-Socially</p> <p>-Economically</p> <p>-Culturally</p>
B.02	What is the participation of Tanzania's food suppliers in the rising urban modern food retail?
B.03	How do Tanzania's consumers perceive modern food retailing?
B.04	How do Tanzania' consumers perceive domestically made food sold in modern retailing stores?
B.05	How do you see the future of retailing/thefood industry in Tanzania in five years to come?

C. Innovation in retail/food industry

C.01	What is the level of innovation in the food/retailing industry in the country?
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C.02	What government policies/incentives have facilitated industry innovation with suppliers/retailers?
C.03	Which government incentives have impeded the innovation of local food suppliers/retailers?
C.04	Have you encouraged local suppliers/retailers to implement a specific system or standards?
C.05	How do you see the future of innovation in five years in the country?

D. Support to the supplier-retailer relationship

D.01	How does your organisation motivate the supplier-retailer relationship?
D.02	Do you think Tanzania's regulations/policies promote collaboration among actors in the network?
D.03	How does your organisation influence actors in the food network to establish and maintain trust?
D.04	What kind of support does your organisation provide to firms operating in the food industry? Food suppliers Retailers
D.05	What is the level of trust in the supplier-retailer relationship in Tanzania?
D.06	Do the country's policies/regulations influence the establishment of trust in the retailer-supplier relationship?
D.07	What initiatives have been undertaken by your organisation to influence trust between suppliers and retailers in Tanzania?

E. Power imbalance in food networks

E.01 How is issue of power imbalance experienced in retailer-supplier relationship?
E.02 Does your organization notice any activities that indicate that there is a power imbalance between suppliers and retailers in the food value chain?
E.03 What initiative does your organization take to reduce the power imbalance in the retailer-supplier relationship?

THANK YOU FOR YOUR PARTICIPATION

Appendix 2:

Integration of Local Food Suppliers in the Tanzanian Modern Retailing Industry

SUPPLIERS/PROCESSORS

The Interview Guide

My name is Felix Adamu Nandonde, I am a PhD student at Aalborg University in Denmark. I am currently undertaking research as a requirement for the completion of my PhD studies on the **Integration of Local Food Suppliers in the Tanzanian Modern Retailing Industry**. I very specifically look into the development of food retailing and the participation of local food suppliers in the sector. My approach is a case study design involving extensive interviews with managers/owners of retailing firms operating in Tanzania.

Being one of the food suppliers, your company has been identified as one of the potential cases for this study. I would like to invite you to spare one hour of your time for an interview on issues associated with the procurement and handling of agri-food products in relation to issues such as the quality, safety and standards for local agri-food suppliers.

We will ensure the confidentiality of this information. Thank you very much for your participation.

For further information you may contact me via fan@business.aau.dk

Or for further clarification:

Prof John Kuada (kuada@business.aau.dk)

Extent of Business with Supermarkets

Fresh Food Products

1. What percentage of the fresh food products do you sell to the following groups of supermarkets?

- a. Locally owned supermarkets?
 - b. Foreign-owned supermarkets?
- 2. Which typical fresh food products do you sell to these supermarkets?
- 3. Why do you think they buy from you?
- 4. What additional items can you supply to them?
- 5. Why do they not buy these items from you?
- 6. Through which other distribution channels do you sell your food items?
- 7. Is it more profitable to sell to supermarkets than through these channels?

Processed Food Products

- 1. What percentage of the **processed** food products you sell do you sell to the following groups of supermarkets?
 - a. Locally owned supermarkets?
 - b. Foreign-owned supermarkets?
- 2. Which typical **processed** food products do you sell to these supermarkets?
- 3. Why do you think they buy from you?
- 4. What additional items can you supply to them?
- 5. Why do they not buy these items from you?
- 6. Which other distribution channels do you sell your **processed** food items to?
- 7. Is it more profitable to sell to supermarkets than through these channels?

Criteria for the Selection of Local Suppliers

- 1. How important do you think these factors are in the supermarkets' choice of local suppliers for the items they sell?
 - a. Cost
 - b. Volume
 - c. Reliability of supplies (i.e., the supplier is able to supply the quantities ordered regularly)
 - d. Quality of the items
 - e. Stability of the quality
 - f. Good quality control facilities

2. Are there other factors you consider to be important that I have not mentioned?
3. How do you assess your company on the basis of these factors?
4. How do you assess your competitors on the basis of these factors?

Support That You Expect the Supermarkets to Provide You

5. Do you get any specific support from the supermarkets you deal with that improves your performance?
6. Which of the following support services do you expect from supermarkets that you deal with?
 - a. Financial support to upgrade your technological capacity
 - b. Transfer of management skills
 - c. Transfer of quality control competencies to your company
7. Which of these services do you actually get?
8. How are these services offered?
9. Are you satisfied with your relationships with the supermarkets?
10. What can the supermarkets do to improve the relationships?
11. What can you do to improve the relationships?

Governance of the Relationships

12. How do the supermarkets make sure that you are a reliable partner to them?
13. Which of the following factors describe your present relationship?
 - a. The supermarkets monitor our delivery processes very closely
 - b. The supermarkets engage in extra in-house quality control to ensure that our products meet their quality specifications
 - c. The supermarkets are in regular contact with our staff
 - d. The supermarkets are quick to reject items they consider unsuitable
 - e. The supermarkets are good at resolving conflicts through negotiations
14. Are you satisfied with the current arrangements?
15. What improvements would you like to see?

General View of Doing Business in Tanzania

16. Did your firm receive any government assistance during the period you have been in business?

What kinds of assistance have you received?

17. What other kinds of assistance would you like to see from government sources?
18. What is your assessment of the entrepreneurial drive in Tanzania?
19. What are the opportunities for growing the retail business in Tanzania?
20. What do you think we need to do to increase the participation of local suppliers in the food value chain?

Relationships

21. How many people do you know in this particular group?
22. Is this (are these) relationships valuable to your business? If so, how?
23. How often do you communicate with contacts in this group?
24. When did you meet the first contact in this group?
25. How did you meet them?

THANK YOU FOR YOUR PARTICIPATION

Appendix 3:

Questions for Supermarkets

Extent of Business with Local Suppliers

Fresh Food Products

1. What percentage of the fresh food products you sell do you buy from local suppliers?
2. Which typical fresh food products do you buy from local suppliers?
3. Why do you choose to buy these items locally?
4. What prevents you from buying the other fresh food products that you sell locally?
5. Will you decide to buy other fresh food products from local suppliers if the government makes it an obligation?

Processed Food Products

6. What percentage of the **processed** food products you sell do you buy from local suppliers?
7. Which typical **processed** food products do you buy from local suppliers?
8. Why do you choose to buy these items locally?
9. What prevents you from buying the other **processed** food products that you sell locally?
10. Will you decide to buy other **processed** food products from local suppliers if the government makes it an obligation?

Criteria for the Selection of Local Suppliers

11. How important are these factors in your choice of local suppliers for the items you buy?
 - a. Cost
 - b. Volume
 - c. Reliability of supplies (i.e., the supplier is able to supply the quantities ordered regularly)
 - d. Quality of the items
 - e. Stability of the quality
 - f. Good quality control facilities
12. Are there other factors you consider to be important that I have not mentioned?

13. How do you assess the Tanzanian local food suppliers on the basis of these factors?
14. From which regions of Tanzania do you get the best food items?

Support that You Provide/Can Provide Local Suppliers

15. Do you or will you be willing to provide local suppliers with the following support if they agree to collaborate with you?
 - a. Financial support to upgrade the technology of local suppliers
 - b. Transfer of management skills
 - c. Transfer of quality control competencies

Governance of the Relationships

16. What do you think you will need to emphasise in your relationships with local suppliers, if the relationship should benefit you?
 - a. Close monitoring of delivery process
 - b. Extra in-house quality control
 - c. Legal redress of grievances with suppliers
 - d. Find several alternative sources of supply

General View on Doing Business in Tanzania

17. What is your assessment of the entrepreneurial drive in Tanzania?
18. What are the opportunities for growing the retail business in Tanzania?
19. What do you think we need to do to increase the participation of local suppliers in the food value chain?

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